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## A NEW LOOK AT MECHANIZATION IN CHINA

At one time the results of China's first essay in agricultural mechanization were so unhappy that it looked as though enthusiasm for it had vanished both among the peasants and among the ardent Marxists. True, the experiment was limited to double bladed or two-wheeled steel ploughs. But the farmers in hilly areas could not use them. The farmers in the plains could not use them because (a) they were too heavy for one man to move (b) or they lacked the animals to pull them and more than half of the million and half manufactured were simply wasted. The widespread use of tractors was in any case limited to the larger State farms. Neither the oil nor the know-how were available in the countryside generally. Finally, the realisation of the way in which the population was growing, and the immense size of that population, led to the crusade for birth control and to the realisation that the fullest possible utilisation of manpower was essential.

But the mechanizers have not admitted defeat by any means and a most persuasive and comprehensive treatise on the necessity of mechanization was recently contributed to two successive issues of the Peking People's Daily by the Chairman of the State Technological Commission, Huang Ching. No doubt the peasants are still ready to accept real help if it can be given them and they certainly expect some real return themselves for the immense sums they are indirectly contributing to industrialisation. It would be surprising if they have not said so in quite emphatic language. Recently much stress has been placed on the bringing into cultivation of new areas, and the acreage of reclaimed land, especially in Heilungkiang, must have been chiefly responsible for keeping the agricultural production rising steadily in spite of an appalling succession of natural disasters.

But now the emphasis is turning to the raising of the yield per unit, leaving reclamation in a position of secondary importance. In order to raise the per unit yield, increased application of fertiliser, improved water conservancy, intensive tillage and multiple cropping, selection of really good seeds, expansion of the acreage of high yield crops, control of pests and effects of calamities, and so forth are called for. Before 1956, says Huang Ching, the general understanding of the problem was nothing more than the need to introduce technical innovations in agriculture based on social reforms. The Chinese only knew superficially of some general conditions relating to farm mechanization in the Soviet Union and the U.S. They evidently did not even know that Britain has by far the most extensively mechanized agriculture in the world! But the Chinese experts failed seriously to study the concrete conditions in the Chinese countryside and only made deductions from mechanization in foreign countries. They set too high a target and too swift a speed. Besides only a few kinds of machines were provided, and all were copied from foreign products, not, as he now demands, based on indigenous invention dictated by China's own conditions. Both the Soviet Union and the U.S., though large in area, are sparsely populated. Labour supply is inadequate. China, though expansive in area, is short of tilled land and reclaimable wasteland. Since she has a teeming population she has to adopt complex methods to increase production, such as intensive tilling and fine cultivation. Most foreign machines are suitable for dry plains and large tracts of land, and use petrol as fuel. As China has many hills, mountains, irrigated fields and small farms, and is short of petrol, farm mechanization is a relatively complex problem. Imported farm machines may be used to till the dry lands in the plains only, not



other kinds of lands. Therefore China should integrate the advanced experiences she absorbs from other countries with China's own particular features—in other words, act in her own way. Technical innovations must suit the agricultural conditions in China, progress must be made slowly, and the raising of the per mou yield become the target. Mechanization is doubtless necessary where farm hands are short. In the over-populated regions mechanization would deprive part of the labour force of employment. There is also still the problem of petrol supply. These views did take into account the actual conditions, but they were ambiguous concepts. Further investigations were made in the rural areas, together with further exchanges of views with the Ministries of Agriculture, Forestry and Water Conservancy, and more light was thrown on the rural conditions, and showed that some of the views held in the past were wrong.

Conditions since co-operativization have changed greatly. When the peasants are busy in agricultural work, the shortage of farm hands becomes an acute problem. Even in densely populated areas shortage of hands or of animals revealed itself during the very busy periods. Machines thus are needed to cope with such difficulties.

To raise the per mou yield, farm machines when properly used are more efficient than draught animals and simple farm implements. Farm machines can harrow deeply, distribute seeds evenly, work fast and race against time in farming. If they are well used, the cost of production is lower than when human labour and draught animals are used. Hence, step by step along the key points, farm mechanization should be actively promoted according to economic and technical conditions. The principal reasons why at present the rural areas need farm mechanization are thus summarised: First, as the practice of multiple croppings is extended, the amount of labour invested in land is increased considerably. In North China the average per capita area of tilled land is about three mou; in East and South-West China about two mou; and in South China below two mou. These areas are over-populated. Despite this fact, the seasonal work remains seriously uneven over the year. Most provinces are free of frost most of the year. Since multiple croppings were popularised the peasants have been busier during the brisk season. For instance, when one crop a year is changed to two crops a year in the plains of North China, the busy time of the year is spread over about sixty days—twenty days spent on reaping summer wheat and sowing autumn crops and 40 days spent on reaping autumn crops and sowing winter wheat. During this period the peasants have to reap and sow and, still more, to irrigate. As draught animals are short human labour has to be used instead. Thus labour shortage becomes acute. Along the Yangtze River about 250 days are free of frost each year and the period of time suitable for paddy crops is even shorter. Two paddy crops take a total of 210

to 220 days to grow. The recess between the two crops lasts only several days, or not more than 20 days at most. During this short time, reaping, ploughing, harrowing, application of manures, and transplanting of seedlings all have to be completed and therefore the farm work is extremely tense. To raise two good paddy crops, the peasants say, the best way is to reap the early paddy crop in the morning and to transplant the late paddy crop in the evening. In many places the peasants are too busy to raise the second paddy crop. Thus in the places suitable for multiple croppings they are unable to raise the second crop, or they may raise it but so late that they cannot get a ripe crop in time, or it is raised in haste, with reduced harvest.

Although both South China and South-west China are free of frost over a longer time than in the north, the peasants raise three crops a year and the farm work remains tense. So the method of multiple cropping is not pushed to the maximum limit at present. For this reason the shortage of labour force in the south is more serious than in the sparsely populated north. During the busy season the peasants say that to strive for more grain production is literally at nothing less than the sacrifice of their lives.

Second, the different measures for water conservancy boost the demand for labour immensely. In the plains of North China in particular, irrigation is a very big problem. The fields when well irrigated may yield immense economic interest. An example is cited from Mengchuang in Hui County, Honan. The peasants in the village of Manli opened new sources of water supply by digging wells and opening channels, increasing the supply of fertiliser, and improving the method of plantation and cultivation. Before the wheat harvest the cereal shoots were fostered as were the paddy shoots. After the wheat harvest the fields were irrigated so that the cereal shoots might be transplanted. After the cereal harvest, cabbage and carrots were planted. When these vegetables were ripe and collected, wheat was planted again. For this reason many fields in that village yielded 1,000 catties of grain or 10,000 catties of vegetables per year. For the village in question, the key to production increase was irrigation, multiple cropping, adequate supply of manure and intensive and fine farming. For other kinds of land in this Hsinhsiang administrative district the measures for water conservancy were also adopted. The swampy lands were converted into irrigated lands to raise wheat and paddy crops in alternation. The inundated lands were encircled with banks to make the water evaporate, absorbed by the ground or unarmful to the crops. The peasants called it a method to "restrict, utilise, and transform" the water. In the hilly zones the fields were divided into terraces and chequered lots with ponds dug and dams built. In the salted lands underground water was drawn from wells deeply dug to wash off the salt on the land surface. The subsoil bitter water may be reduced too. This way the salted land may be transformed into fertile



# THE ECONOMIC SITUATION IN THE FAR EAST

## Review for the Six Months of October 1956 to March 1957

Production in the Far East (incl. China) rose in 1956 and the first few months of 1957, owing mainly to progress in implementing development plans. Cereal output was more than 3 per cent higher in 1956/57 than in 1955/56, although on a per capita basis it still remained below the pre-war level. Production of the principal export commodities generally remained at the high level of the previous year or showed some increase, except in the case of rubber and cotton which recorded declines in production. Industrial production rose more rapidly in 1956 than in 1955, but during the first few months of 1957 the rate of increase tended to slacken, according to the United Nations (ECAFE Secretariat).

lands. All this needs an immense amount of labour. It is exactly when water is urgently needed that the peasants are most busy in the fields. Besides, the accumulation of manures, the transfer thereof, the thrashing of corn, the weeding of wild grass, and the grinding of grain all need much human and animal power. So the acute shortage of labour and draught animals then emerges. For this reason the peasants urgently need machines to do part of their work so that they and their animals may have time to engage in intensive farming or to run orchards and other subsidiary lines of business. If and when this is well done, eight-tenths of a mou is enough to feed a single person. In many regions the substitution of mechanical power for human power is urgently needed.

A striking story is told of two adjacent APCs in Hotse county, Shantung, whose natural environments were almost identical, with a per capita area of 2½ mou. They raised the same crops. There was a tractor station nearby but the two co-ops held diametrically opposed attitudes towards the use of tractors. Lu I APC strongly opposed the use of tractors and held they could plough as deep as the machine, which would also cause them to lose points. The Pa I APC, on the contrary, clamoured for ploughing machines, because they were busy in field work and engaged in highly intensive farming and fine work. They had to spend more working days per mou. Their average per mou yield of wheat was 213 catties. In the Lu I APC, it was 140 catties only. Moreover, the Pa I developed as many as 13 sidelines of business, including oil processing, sugar refinery, wheat flour processing, kiln, carpenter work, ironwork, tailoring, animal-raising, embroidery, horse cart making, building, chicken raising, hay store and operation of grindstone house. No fewer than 114 of the 700 odd peasants and 63 of the 118 head of livestock engaged in subsidiary lines of business. In the Lu I APC there were seven or eight kinds of sideline businesses, but only 20 odd persons took part in them. One had too much labour, the other too little.

In 1956 a greater expansion in imports than in exports, arising mainly from a higher rate of development, converted the trade surplus of 1955 into a trade deficit in 1956, with a consequent deterioration in the payments position, and a drawing down of the foreign asset holdings of several countries in the ECAFE region, including India, Indonesia and, probably, mainland China. In the first quarter of 1957, imports continued to rise in the case of India, Indonesia, Japan and the two entrepôts, Hongkong and Singapore, and there was a further decline in foreign asset holdings, particularly of Indonesia and Japan.

Prices in most countries—with the notable exception of Cambodia and southern Viet-Nam—rose in 1956 and the first few months of 1957, the main causes being deficit financing of development projects, a rise in import prices and, in some countries, an increase in food prices. This was the case even though, with deterioration in the terms of trade and a faster rise (or in a few cases a smaller decline) in imports than in exports, the external sector exerted a contractionary influence on money supply in several countries.

### AGRICULTURAL PRODUCTION

During 1956/57, cereal production in the ECAFE region (excluding mainland China) at 126.7 million tons was 3 per cent higher than the 1955/56 output; though the total represented a new post-war high point, per capita output remained below the pre-war average. The rice crop harvested towards the close of 1956 or early in 1957 amounted to 81.4 million tons—4 per cent higher than the previous record production of 1955/56. However, the 1956/57 output of pulses and root crops was somewhat lower than in 1955/56. In mainland China, despite damage due to floods, the 1956 production of food grains (excluding soya beans) was reported at 182.5 million tons or 4 per cent more than in 1955. Table 1 summarizes trends in production in countries of the ECAFE region, excluding mainland China.

Table 1

ECAFE Region: \* Production of Food Crops,  
1948-1952 to 1956/57  
(Millions of tons)

Crop	1948/1952 average	1953/54	1954/55	1955/56	1956/57 (pre- liminary)
Cereals:					
Rice, milled basis †	66.8	77.1	72.2	78.1	81.4
Wheat	13.1	13.5	15.6	15.9	15.5
Other cereals	24.2	31.4	32.8	29.1	29.8
Total cereals	104.1	122.0	120.6	123.1	126.7
Pulses	10.1	10.4	12.2	12.8	11.8
Root crops †	27.2	30.5	32.0	33.7	33.4
Edible oil-seed crops,**					
oil equivalent	4.2	4.7	5.7	5.2	5.2
Sugar ††	5.8	6.5	7.5	7.7	7.9

\* Excluding mainland China; including available data for Afghanistan and Nepal.

† Revised series.

‡ Potatoes, sweet potatoes and cassava: largely estimated.

\*\* Including soya beans, ground-nuts, sesame, rape-seed, cotton-seed, coco-nuts, oil palm.

†† Centrifugal and non-centrifugal sugar, converted to raw value.



### Cereals

Although 1956/57 rice production in the region as a whole was very high, there were declines in output in some countries; in others, despite increase in rice production, the food situation did not improve because of the operation of other factors. In Ceylon, Japan and southern Korea, rice crops were smaller, while in Indonesia the crop was not materially different from that of the previous year. Although rice production in India and Pakistan was greater, prices of cereals continued to rise owing to the impact of increasing demand, hoarding of supplies and similar factors. Consequently, the import demand for cereals from the deficit countries of the region was fairly high in the early part of the year. In the first quarter of 1957, total imports of cereals in the seven deficit countries for which information is available<sup>1</sup> amounted to 2.1 million tons, or nearly 20 per cent more than the corresponding 1955/56 imports. Of the food surplus countries of the region, Burma, Cambodia, Thailand and southern Viet-Nam harvested larger crops, and supplies available for export appeared greater than in 1956.

Prices for sales under long-term contracts were lower in the case of Burmese rice, but export prices on private account were firm from February onwards, under the impact of increasing demand. Total exports of rice from these countries in the first quarter of 1957 at 1,032,000 tons were 28 per cent above the corresponding 1956 exports.

#### Cereal Importing Countries

**Ceylon.** Rice production in Ceylon in 1956/57 was lower by 21 per cent than the bumper 1955/56 output, owing largely to the poor crop harvested in the autumn of 1956. Partly because of a reduction in the price of rationed rice, and partly because of lower domestic production, the demand for rationed rice was higher and, despite an increase of more than 27 per cent in 1956 rice imports, available stocks in the hands of the Government were low early in 1957. Larger imports were consequently expected in 1957. Planned imports from mainland China were 270,000 tons at £30.7s.6d per ton, f.o.b. mainland China ports, exclusive of the cost of bags. In addition, about 200,000 tons of rice was to be imported from Burma at £33 per long ton, f.o.b. Rangoon, for small mills (special, 42 per cent).

While long-run problems of agricultural development were expected to be taken into account by the newly established Planning Council, the drought experienced during the previous year had focused the attention of the Government on the need for setting up a Water Resources Board to make a comprehensive survey of water resources; construction of reservoirs was contemplated as a measure of urgency in areas normally susceptible to drought.

**India.** Owing to a decline in India in the 1955/56 crops of cereals (mainly coarse grains), hoarding of supplies and the growing pressure of demand, the upward trend in cereal prices, noticeable since the latter part of 1955, continued in 1956, when a 27.4 per cent increase was registered. Although rice and other cereal crops harvested towards the close of 1956 or early in 1957 were appreciably larger than the corresponding previous crops, prices of cereals generally remained firm in the first five months of 1957, the Economic Advisors' index of cereal prices being 22.4 per cent higher in May 1957 than in May 1956. Since hoarding was a factor contributing to the rise in prices, steps taken to deal with the situation included placing of restrictions on advances by scheduled banks against rice and paddy, and assumption of legal powers by the Government under the Essential Commodities Act, 1955 (as amended), to direct

holders of rice to sell the whole or a part of their stocks at the average market price prevailing in a locality before the issuance of the notification. In the meantime the Government planned to import larger quantities of cereals for sale to non-producing consumers at reasonable prices through 20,000 fair-price shops. Actual imports of cereals between January and May 1957 amounted to 1,417,000 tons as against corresponding 1956 imports of 1,933,000 tons. In June 1957, a committee was set up to review the food situation and to examine the causes contributing to the rise in food prices, to assess probable trends in demand and availability over the next few years and to recommend measures for ensuring incentive prices to producers while paying due regard to the interests of consumers and the need for maintaining a reasonable cost structure. Efforts to step up food production continued at a high level in the fiscal year 1956/57, when provision in the Central Government budget for subsidies and loans to state governments in connexion with grow-more-food schemes amounted to Rs 256 million. In addition, there was the usual allotment of Rs 100 million for short-term loans to states for the purchase and distribution of fertilizers and seeds. Efforts to increase food production were expected to be intensified further during the fiscal year 1957/58.

**Indonesia.** Rice production in Indonesia in 1956 was not materially different from that of the previous year, but maize and sweet potato crops were larger. Owing probably to the fact that the purchase prices of the Food Foundation were lower in relation to free market prices, purchases of domestic paddy amounted to 510,900 tons in 1956, compared with 592,900 tons in 1955. However, imports of cereals from abroad (including imports under United States Public Law 480) were large, and the improved over-all supply position was reflected in some decline in prices. Thus, the index number of retail prices of cheap quality rice in Djakarta declined from 5,699 (July 1938=100) in October 1956 to 5,285 in March 1957, compared with 6,273 in March 1956. It fell further, to 4,596 in May. Total imports of cereals in 1956 amounted to 908,000 tons (including 763,000 tons of rice) as against 127,000 tons (all in the form of rice) in 1955. Between January and March 1957, imports of cereals amounted to 130,000 tons (including 86,000 tons of rice) compared with the corresponding 1956 figure of 281,000 tons (including 237,000 tons of rice). Total rice imports planned for 1957 were about 450,000 tons.

**Japan.** The 1956/57 production of paddy in Japan of over 13 million tons, though about 12 per cent lower than the 1955/56 output, was nevertheless the second highest on record in the post-war period. Domestic purchases of brown rice by the Government between 1 October 1956 and 30 April 1957 were about 10 per cent lower than the corresponding figure for the previous season. In the early part of 1957, the food situation was characterized by increased availability of rice in the free market and a decline in sales of rationed rice. This, coupled with losses sustained by the Government on food distribution during the previous few years, focused the attention of the authorities on the need for reviewing food control policies; to that end, a temporary Food Control Investigation Council was set up. In 1956 rice imports, at 760,000 tons, were 39 per cent lower than 1955 imports but total 1956 imports of cereals, at 4,329,000 tons, were only 3 per cent lower. Nearly three-fifths of the decline in rice imports in 1956 was accounted for by reduced imports from countries of the ECAFE region. In the first quarter of 1957, imports of cereals amounted to 700,000 tons (including 50,000 tons of rice) compared with corresponding 1956 imports of 909,000 tons (including 245,000 tons of rice).

<sup>1</sup> Ceylon, Hongkong, India, Indonesia, Japan, Malaya and Philippines.



**Malaya.** The 1956/57 crop of rice in Malaya was 12 per cent higher than the 1955/56 crop. The wholesale price of rice (Rangoon No. 1) at Penang, which had risen somewhat in the last quarter of 1956, tended to decline in April 1957, to the October 1956 level of M\$25.75 per picul.<sup>2</sup> Imports of cereals amounted to 773,000 tons in 1956 (including 591,000 tons of rice) compared with 732,000 tons in 1955. In the first quarter of 1957, imports of cereals, at 205,000 tons, exceeded corresponding 1955 imports by 5,000 tons.

**Pakistan.** There was a shortage in food supplies in Pakistan in 1956 accompanied by a rise in prices (particularly in East Pakistan), but the position improved somewhat when the rice crop harvested towards the close of 1956 came into the market. However, prices became firm, particularly in the second quarter of 1957, owing partly to an unsatisfactory spring crop of rice. Thus, the price of medium-quality rice in Chittagong, which was Rs 23 per maund<sup>3</sup> on 5 January 1957, increased to Rs 31.5 by 4 May 1957, when it was 15.6 per cent higher than a year before. To deal with the situation, the Government planned to make substantial quantities of food grains available to East Pakistan, to meet consumption needs and also to build up reserve stocks.

Increased importance was attached to stepping up domestic agricultural production. The National Economic Council, after reviewing the food situation in February 1957, called upon the Ministry of Food and Agriculture to formulate revised targets for food production in consultation with the Planning Board, other ministries and provincial departments, and to suggest measures to achieve them.

**Philippines.** The 1956/57 rice, maize and root crops of the Philippines were larger than the 1955/56 crops. Rice prices in Manila, however, showed some increase early in 1957, owing partly to delayed harvesting and partly to the retention of supplies by farmers. One factor contributing to this withholding of supplies was the anticipation of an increase in the government support price; early in 1957 a governmental committee examined the level of price supports for rice, and one of the proposals under consideration was an increase in the rice support price. The National Rice and Corn Corporation, which is responsible for implementing the price support programme, reached agreement with the Agricultural Credit and Co-operative Financing Administration to co-ordinate its rice purchase activities in 1957 with those of the farmers' co-operative marketing associations. Apart from price supports, other measures were undertaken to increase production. Thus, early in 1957 the Bureau of Plant Industry announced a five-year programme to raise crop production; this included increased research for crop improvement, distribution of improved seeds and planting materials, and control of pests and disease.

#### Rice Exporting Countries

**Burma.** The 1956/57 paddy production of Burma, at 6,464,000 tons, was about 10 per cent higher than the 1955/56 output, and supplies available for export were sufficient to permit the maintenance of exports at the 1956 level. Domestic purchase prices of paddy, which had remained unchanged since 1950, rose about 5 per cent early in 1957, but enforcement of quality standards was expected to be more strict. The export price, on a government-to-government basis, for small mills (Special, 42 per cent) was reduced by 8.3 per cent compared with the 1956 price. Actual exports in the first quarter of 1957, at 490,000 tons,

were close to the corresponding 1956 exports of 494,000 tons. The bulk of the exportable surplus was believed to be covered by existing commitments.

**China.** The first crop of rice harvested in 1956 in Taiwan was about 24 per cent higher than the corresponding previous crop but the autumn harvest was not materially different from that of 1955. The production target for 1957 was set at 1.9 million tons, compared with the 1956 output of 1.79 million tons. Rice prices increased sharply (14 per cent) in the last quarter of 1956; in order to stabilize prices, rice rationing was reintroduced, beginning from 18 November, in five cities. Exports of rice amounted to 109,000 tons in 1956 compared with 170,000 tons in 1955. In the first quarter of 1957, exports were 13,000 tons, compared with 17,000 tons in the corresponding period of 1956.

On the mainland, despite damage due to floods and typhoons, the 1956 production of food grains (excluding soya beans) was reported to be 182.5 million tons, or 4.4 per cent higher than the 1955 output. The increases were attributed to steps taken by the Government to increase food production, including agricultural collectivization, extension of irrigated areas, and increased use of improved seed and fertilizers. Food grain production was expected to rise by 4.7 per cent during 1957, to 191 million tons. Imports of cereals (mainly rice) from mainland China in these deficit countries of the region—Ceylon, Hongkong, Indonesia, Japan and Malaya—amounted to 423,000 tons in 1956 compared with 292,000 tons in 1955. In the first quarter of 1957, cereal imports from mainland China by these countries, at 53,000 tons, were only half of the corresponding 1955 imports. The official 1957 target for the export of food grains (including soya beans) was 1.9 million tons, compared with 2.44 million tons in 1956.

**Cambodia and southern Viet-Nam.** Both Cambodia and southern Viet-Nam harvested substantially larger rice crops in 1956/57; the increases over the previous year's production were 28 per cent and 8 per cent, respectively. The improved supply position was reflected in an easing of prices. Thus, in Saigon, the April 1957 price of polished rice No. 1 (25 per cent broken) was 16 per cent lower than the January 1957 price. Substantial increases over the 1956 level were expected in exports. Actual exports from Cambodia in the first quarter of 1957 amounted to 74,000 tons, compared with 3,000 tons in the corresponding period of 1955. In the case of southern Viet-Nam, exports in the first quarter of 1957 amounted to 11,000 tons while there were no exports in the corresponding period of 1956.

**Thailand.** The 1956/57 production of paddy in Thailand—over 8 million tons—exceeded that of the previous year by nearly 300,000 tons. Rice supplies available for export in 1957 were estimated at about 1.4 million tons, compared with actual exports of 1,266,000 tons in 1956. Owing to active export demand, the export price of white rice (25-28 per cent broken) tended to rise from February onwards, and by April it was 2.6 per cent higher than the January price. In May prices rose further. Exports in the first five months of 1957 amounted to over 700,000 tons, well above the corresponding 1956 exports of 520,000 tons.

#### Other Agricultural Commodities<sup>4</sup>

During 1956, many major export commodities showed a high level of production and exports and a sharp increase in prices in the latter half of 1956, following the closing of the Suez Canal. Both the volume and the value of exports of tea, copra and raw jute rose; almost all the major

<sup>2</sup> One picul equals 133-1/3 pounds avoirdupois, or 60.47 kilogrammes.

<sup>3</sup> One maund equals 37.322 kilogrammes.

<sup>4</sup> The crop year is July to June for raw jute, and August to July for raw cotton; data for other commodities represent calendar years.



exporting countries shared in the expansion of trade. One exception, however, was a reduction in the volume and the value of exports from Ceylon, where unfavourable weather conditions resulted in lower output. Total 1956 exports of rubber, though fairly high, were lower than in 1955, and 1956 prices were also lower. While exports from the major producing countries fell, many smaller rubber producing countries increased their exports.

During the first quarter of 1957, gains in prices that had occurred in the latter part of 1956 were lost to a great extent. Sugar prices, however, were an exception; they rose further with the greatly increased demand. Most of the exporting countries increased the volume of exports of tea, copra, rubber and raw jute in the first quarter of 1957 compared with the corresponding 1956 exports. In the case of sugar, exports from China (Taiwan) rose significantly in the first quarter of 1957. The situation with respect to the principal commodities is examined briefly below.

#### Tea

Tea production in 1956 in the ECAFE region (excluding mainland China), of about 0.6 million tons, was not materially different from that of 1955. In India, because of apprehension that supplies would exceed demand, producers had decided to regulate production and, as a consequence, total production for the year amounted to 301,000 tons, compared with 300,200 tons in 1955. In Ceylon, owing to unfavourable weather conditions, total production of 170,400 tons was 2,000 tons below that of 1955. With the exception of Pakistan, where output increased by about 1,200 tons, the other producing countries experienced small declines.

Exports from the producing countries of the region<sup>5</sup> rose 20.1 per cent in 1956 over 1955 exports. With the exception of Ceylon and Japan, all these countries shared in the increased exports. Indian exports rose by 71,300 tons; the increases registered by China (Taiwan), Indonesia and Pakistan amounted to 2,900 tons, 5,400 tons and 4,500 tons, respectively. Larger imports by Canada, the United Kingdom and some other countries, as well as the emergence of the Soviet Union as a buyer of tea, explained the increase in exports in 1956.

In the first few months of 1957, exports from the chief exporting countries remained at a high level. Thus, exports from Ceylon in the first five months of 1957, at 68,600 tons, were 5.1 per cent higher than in the corresponding period of 1956; in Indonesia and Pakistan exports in the first quarter of 1957 exceeded the corresponding 1956 exports by 42 per cent and 47 per cent, respectively.

The export price of tea, which had risen following the Suez Canal crisis, tended to decline in 1957. At Calcutta, the export price in April 1957 was 33 per cent lower than the January price, and the corresponding decline for Ceylon tea was 37 per cent. With the sharp decline in tea prices and with higher regional production in the first five months of 1957 than in the corresponding period of 1956, the problems of improving quality and reducing costs of production were expected to call for special attention.

#### Rubber

World consumption of natural and synthetic rubber rose in 1956, though at a rate appreciably lower than in previous years. World production of rubber was also higher in 1956, owing to an increase in synthetic rubber output

which offset a decline of 1.3 per cent in the output of natural rubber (table 2).

**Table 2**  
**Production, Consumption and Exports of Natural Rubber, 1952 to 1957**  
 (Thousands of tons)

Period	Production		World consumption	World production minus would consumption	Total net exports from ECAFE countries
	ECAFE region <sup>a</sup>	World			
1951 .....	1,807	1,915	1,522	+ 393	1,771
1952 .....	1,706	1,819	1,478	+ 341	1,661
1953 .....	1,637	1,755	1,656	+ 99	1,584
1954 .....	1,714	1,831	1,793	+ 38	1,664
1955 .....	1,811	1,943	1,900	+ 45	1,768
1956 .....	1,770	1,918	1,923	— 5	1,699
1956, Jan.-Mar. ....	388	427	490	— 63	392
1957, Jan.-Mar. ....	415	452	474	— 22	427

Source: International Rubber Study Group.

<sup>a</sup> Returns for Cambodia, Ceylon, India, Indonesia, Malaya, Sarawak and southern Viet-Nam; and estimates for Brunei, Burma, North Borneo and Thailand, based on net exports.

<sup>5</sup> Ceylon, China (Taiwan), India, Indonesia, Japan and Pakistan; excluding mainland China.

Within the ECAFE region, 1956 production of natural rubber was 2.3 per cent lower than the 1955 output, owing to declines in production in Indonesia and Malaya; in most of the smaller producing countries, however, the output was higher. The declines in the two major producing countries—Indonesia and Malaya—reflected the reduced output of smallholders, probably in response to a downtrend in prices in the first half of 1956. In the first quarter of 1957, production in the region was about 7 per cent higher than in the corresponding 1956 period, owing largely to the increased output of smallholders in Indonesia.

Total 1956 exports from the countries of the region were 3.9 per cent lower than in 1955; Ceylon, Indonesia and Malaya shared in the decline. Other smaller exporters succeeded in maintaining or increasing the amount of their exports. In the first quarter of 1957, total exports were 9 per cent higher than the corresponding 1956 exports, and Ceylon, Indonesia, Thailand and southern Viet-Nam shared in the increase.

Price of natural rubber increased sharply in November and December 1956 (16.4 per cent over the October price) reflecting in part the effect of Suez Canal developments and in part the marked increase of consumption in relation to production in September and October. In January and February 1957, its price declined sharply owing to reduced consumption and expectations of declines in automobile production in the United States and Europe. The outlook improved subsequently, however, with expectation of increases in the 1957 consumption and production of natural and synthetic rubber and of a small excess of total consumption over production.

#### Jute

According to official forecasts, total 1956/57 production of raw jute in India and Pakistan—about 11.7 million bales of 400 pounds each—was 1.4 per cent lower than the 1955/56 output. Trade estimates of supplies available for consumption in the 1956/57 season (including the carry-over from the previous season) showed a slight increase over the corresponding figures for 1955/56.

**Pakistan.** Official estimates placed the available supplies of jute in Pakistan during the 1956/57 season at 6.2 million bales, compared with 6.85 million bales in 1955/56. Domestic consumption in the 1956/57 season was estimated at about 1.2 million bales, as against a million bales in the previous season. The export duty on cuttings and cut ropes was increased from Rs 5 to Rs 10 per bale, with effect from 23 August, while the export duty on long jute was maintained at the existing level of Rs 20 per bale. Actual exports of raw jute from Pakistan from July to December 1956, at 1,748,000 bales, were well below the corresponding 1955 exports of 2,698,000 bales. Reduced exports to India were attributed partly to increased production in that country and partly to the expectation of lower consumption following the resealing of 7.5 per cent of the looms that had been unsealed earlier in the year. Reduced exports to other countries were attributed mainly to shipping difficulties. During the first quarter of 1957, total exports of raw jute, though 67 per cent higher than in the previous quarter, were 21 per cent lower than in the first quarter of 1956.

**India.** The 1956/57 jute season in India opened with large stocks of gunnies at the mills; these were lowered substantially by the end of December 1956 as a result of reduced production and increased consumption. Mill production of jute goods in the first ten months of the 1956/57 season was 4.1 per cent lower than the corresponding 1955/56 figure. The decline in raw jute consumption in this period was 3 per cent. Total exports of jute goods in the

first nine months of 1956/57 season showed an increase of 21 per cent over the corresponding 1955/56 exports.

Prices of raw jute, which were generally higher in the second half of 1956 than in the corresponding period of 1955, increased sharply in November and December 1956 following the closing of the Suez Canal. Thus, the price of jute (loose Jat white bottom at Narayanganj, East Pakistan) increased from Rs 28/8 per maund on 21 October 1956 to Rs 40/8 per maund by 23 December 1956 but tended to decline thereafter, to Rs 30 per maund on 24 February 1957. The decline in prices was most marked in February and was attributed to reduced purchases by importers.

#### Cotton

The world cotton situation in the 1956/57 season was characterized by a decline in production of about 2 million bales, compared with that of the previous season, an increase in consumption of nearly half a million bales and a reduction in stocks carried into the 1957/58 season. Within the ECAFE region, production in India was estimated to have increased by 5 per cent while in Pakistan it declined by 2 per cent. In mainland China, cotton production, at 1,445,000 tons, was 4.8 per cent lower.

Consumption of cotton was expected to increase in India, Japan, Hongkong, China (Taiwan) and southern Korea, but to maintain the high level reached in Pakistan in the 1955/56 season. Increases in cotton consumption in selected countries of the region in 1956/57 reflected a growing demand for textile exports and for consumption (table 3).

Table 3

Raw Cotton Supplies and Consumption in Selected Countries, 1952/53 to 1956/57  
(Thousands of bales)\*

Country and year	Production	Initial stock	Imports	Exports	Consumption
<b>INDIA:</b>					
1952/53 ..	3,000	2,230	563	293	3,875
1953/54 ..	3,770	1,625	568	104	3,990
1954/55 ..	4,425	1,850	492	210	4,120
1955/56 ..	3,880	2,420	526	554	4,280
1956/57 ..	4,080	1,980	213†	179†	4,350
<b>JAPAN:</b>					
1952/53 ..	—	524	2,064	—	2,065
1953/54 ..	—	523	2,443	—	2,441
1954/55 ..	—	525	2,046	—	2,142
1955/56 ..	—	429	2,387	—	2,322
1956/57 ..	—	493	1,800†	—	2,700
<b>PAKISTAN:</b>					
1952/53 ..	1,540	365	—	1,275	230
1953/54 ..	1,200	400	—	898	450
1954/55 ..	1,310	250	—	650	650
1955/56 ..	1,425	260	—	726	800
1956/57 ..	1,400	165	—	474**	800
<b>Total:</b>					
1952/53 ..	5,540	3,119	2,627	1,568	6,170
1953/54 ..	4,970	2,548	3,011	1,002	6,881
1954/55 ..	5,735	2,625	2,538	860	6,912
1955/56 ..	5,305	3,109	2,913	1,280	7,402
1956/57 ..	5,480	2,638	2,013†	653**	7,850

Source: International Cotton Advisory Committee and national sources.

\* One bale equals 478 pounds avoirdupois, or 218.8 kilogrammes.

† August 1956—February 1957; including ginned cotton, cotton mill waste and devilled cotton waste in the case of Japan.

‡ August 1958—13 June 1957.

\*\* August 1956—May 1957.



Imports of cotton to Japan in the first seven months of the 1956/57 season were 48 per cent higher than in the corresponding period of 1955/56. In India, imports in the first seven months of the 1956/57 season were 24.5 per cent lower than the corresponding previous imports. However, in May 1957, the Government arranged imports from the United States of 160,000 bales (400 pounds each)—100,000 bales under the Development Assistance Programme and 60,000 bales under United States Public Law 480.

Exports of raw cotton in the first seven months of the 1956/57 season were lower from both India and Pakistan, the respective declines being 63.1 per cent and 20.5 per cent. Japan took 56.3 per cent of the total exports of Pakistan in the first seven months of the 1956/57 season, compared with the corresponding previous figure of 34.4 per cent. On the other hand, the share of mainland China in the 1956/57 exports of Pakistan was 9.5 per cent, compared with 16.7 per cent in 1955/56.

In most of the cotton markets outside the United States, the downtrend in prices, which had started towards the end of 1955/56 following an announcement regarding sales of United States cotton at competitive prices, was reversed early in the 1956/57 season, and prices remained firm until January 1957. The increase was due to a marked reduction in export availabilities and the upward trend in prices in the United States and increased domestic consumption in many countries. In February and March, prices showed some decline, owing probably to the resistance of consumers to prevailing prices.

In Pakistan, the price of Karachi 289 F (Punjab) roller ginned cotton, which was Rs 87/7 per maund in June 1956, had declined to Rs 81/6 by October, but it increased to Rs 95/7 in December 1956 and maintained that level in January 1957. In the following two months, prices declined again, and in March the price was Rs 88/14.

#### Copra and coconut-oil

World production of fats and oils in 1956 was higher than in 1955 but import demand from Argentina and several Mediterranean countries was very large owing to declines in local production. This increase in demand and political developments in the Middle East brought about an increase in prices in the second half of 1956. With the reduction in freight rates following reopening of the Suez Canal, and prospects of increased supplies in 1957, prices tended to go down.

Within the ECAFE region excluding mainland China, total 1956/57 production of edible oils—at about 5.2 million tons (oil equivalent)—was not materially different from that of the previous year. Copra production in the Philippines during 1956 slightly exceeded the high levels attained in 1955, and the prospects for 1957 were good. In Ceylon, however, 1957 copra production was expected to be lower.

Exports of copra and coco-nut oil shared in the increased world demand for fats and oils in 1956. Total 1956 exports from the principal exporting countries of the region, excluding mainland China, showed a gain of 16 per cent over 1955 exports. Indonesia, Malaya and the Philippines increased their 1956 exports; in the case of the latter two countries, exports were the highest on record in the post-war years. In the first quarter of 1957 exports from Indonesia, Malaya and the Philippines again exceeded the corres-

ponding previous exports. A notable feature was the sharp increase in exports from Indonesia, average monthly exports of 24,800 tons (oil equivalent) for the first quarter of 1957 being more than four and one-half times the average exports during the first quarter of 1956 and well above average monthly rates since 1952.

Prices of coco-nut oil (Straits, c.i.f. European ports) increased in the last quarter of 1956, the December price being 8.5 per cent higher than the September price. However, prices tended downwards during 1957 and by May the price was 6.5 per cent lower than in December 1956.

#### Sugar

World consumption of sugar expanded remarkably in 1955-1956 and, as a consequence, the world sugar situation, which had been characterized since 1953 by an excess of supply in relation to demand, turned into one of relative scarcity towards the close of 1956. Increases in consumption, together with reports of unfavourable weather conditions in important growing areas and speculative activity, brought about a sharp increase in prices. Thus, world prices, which had fluctuated within a narrow range for nearly three years prior to November 1956, started rising in that month and by 16 January 1957 the price was 6.37 cents per pound, almost twice the average for 1955-1956. Since the prevailing price exceeded 4 cents, quotas and limitations of exports became inoperative from 24 January 1957, in accordance with article 21(3) of the International Sugar Agreement, as amended.

Within the ECAFE region, total production and consumption of sugar continued to expand in 1955-1956. However, the 1956 output in the exporting countries—China (Taiwan), Indonesia and the Philippines—was lower than in 1955. The 1956 exports from China (Taiwan) were 2 per cent higher than in 1955, but exports from Indonesia and the Philippines were lower by 4.1 per cent and 7 per cent, respectively.

In the first quarter of 1957, production of sugar in China (Taiwan) exceeded by 2.4 per cent the corresponding 1956 production while in India the gain in production was of the order of 4.7 per cent. Exports from the former rose sharply in the first quarter of 1957, with an increase in supplies from the new crop, and were 51 per cent higher than the corresponding 1956 exports. India, which imported 17,700 tons in 1956, was planning exports in 1957 of about 109,000 tons. Exports from the Philippines in the first quarter of 1957, at over 278,000 tons, were about one per cent lower than in the corresponding period of 1956. Indonesia, however, exported only about 11,000 tons in the first quarter of 1957, compared with about 55,000 tons in 1956.

Japan, the largest importer of sugar in the region, imported 1,202,000 tons in 1956, or 12.3 per cent more than in 1955. In 1956, 23.6 per cent of its total imports were from countries of the region, but in 1955 the corresponding figure was 42.1 per cent.

#### INDUSTRIAL PRODUCTION

Although industrial production in the Far East continued to increase from 1956 into the first quarter of 1957—and this trend was expected to continue throughout 1957—its growth appeared less rapid than in 1956. Preliminary figures for the first few months of 1957, however, show that the rate of increase in the ECAFE region continued to be higher than in the world as a whole (table 4).



Table 4  
Industrial Production in Selected Countries,  
1954 to 1957

(Percentage increase compared with previous year)

Country	1954	1955	1956 (preliminary)	1957
China:				
Taiwan .....	5	10	2	4*
Mainland .....	17	8	31†	11‡
India .....	7	7	17	9*
Japan .....	8	7	22	20†
Pakistan .....	21	29	15	—
Philippines .....	12	11	9	—
World total**	—	10	5	4*

\* Average of first three months compared with average for corresponding period of 1956.  
‡ Average of first five months compared with average for corresponding period of 1956. Po 1-po op. cit.  
† Average of first five months compared with average for corresponding period of 1956.  
\*\* Excluding eastern Europe, the Union of Soviet Socialist Republics and mainland China.

The year 1956 was marked by new post-war records in the output of major industrial products, and by the culmination of investment programmes, which had been accelerated during the previous few years. Because of the acceleration in investment, the supply of intermediate goods appeared to be the main deterrent to continued expansion in industrial development in several countries. In some cases, a rapid rise in demand for intermediate goods resulted in an under-supply of several basic industrial raw materials, while in others the execution of industrial projects increased the requirements for imported raw materials and equipment and, consequently, for foreign exchange outlays.

Industrial Development in Individual Countries

In China, whereas investment in capital construction on the mainland increased at an average annual rate of about 15 per cent between 1953 and 1955, it was accelerated by more than 60 per cent in 1956. Towards the end of 1956, it became evident that the rise in the supply of certain materials, such as steel, timber, cement and fuel, lagged very much behind the rate of increase in demand; the shortage was further aggravated by poor cotton and oil-seed crops during the year.

Owing to these shortages, which arose chiefly from over-investment in 1956, development programmes in 1957, the last year under the first five-year plan, were reduced. It was planned to slow down industrial production, which reached the peak rate of growth of 31 per cent in 1956, to an annual rate of 4.5 per cent in 1957. According to returns for the first five months of 1957, 41.4 per cent of the year's planned industrial output was reported to have been reached; this represented an increase of 11 per cent over the corresponding period of 1956.

In Taiwan, industrial output in 1956 rose by only 2 per cent over that of 1955, while during the first quarter of 1957 it advanced by about 4 per cent above the first quarter of 1956. The success of the industrial expansion projected under the first four-year plan, ended in December 1956, extended to almost all industries; in some cases the goals were exceeded. The newly drafted second four-year plan (1957-1960) envisaged a capital outlay of NT\$10,345 million for industry, or over one-half of total capital expenditures, compared with only one-fifth for agriculture. The plan proposed doubling industrial production by 1960.

In India, the stimulus provided to industry by the first five-year plan (1951/52—1955/56) was evident in the in-

creased output shown by most of the major industries in 1956. The upward production trend, although somewhat slackened, was expected to continue. During the first quarter of 1957 the industrial production index was 9 per cent higher than in the corresponding period of 1956, but was somewhat lower than the annual index for 1956.

The first five-year plan was a striking success, but the second had a rather uncertain start. Within six months of its beginning (between April and September 1956) there was an appreciable rise in prices, followed immediately by an acute shortage of foreign exchange due to heavy orders abroad for steel, railway equipment, power plants, industrial machinery and capital goods for implementing the plan. Recourse was had to various emergency measures. One of the major problems facing the planners was the extent to which India could mobilize its financial resources so as to assure maximum fulfilment of the plan for economic development.

In Japan, the high level of economic activity in 1955 continued during 1956 at a greatly accelerated rate. Industrial production expanded sharply—by 22 per cent over 1955 as against a rise of 7 per cent in the preceding year—stimulated by a substantial increase in domestic demand for investment goods, a rise in corporate expenditures and a continuing growth in export demand. The spectacular rise in the output of durable goods compared with non-durables was indicative of a continuing structural change in Japan's industrial complex. Leading the rise was an almost 30 per cent gain in the output of machinery, reflecting the boom in Japan's shipbuilding industry and the high level of investment for plant expansion and modernization. The industrial production index during the first five months of 1957, compared with the corresponding period of 1956, rose by 20 per cent, owing to continued strong demand for plant and equipment investment; the increase was moderate, however, compared with that in the last quarter of 1956.

It was generally believed that the rate of industrial expansion would slow down during 1957. Important industries, such as iron and steel, light metals and electrolytic copper operated at capacity levels during 1956, while inventories of raw materials at the close of 1956, though generally above the preceding year's level, were inadequate in view of prevailing demand conditions. Electric power capacity failed to keep pace with the expansion of industry as a whole. An exceptional drought in the beginning of 1957 aggravated the shortage in the power supply, placing an additional burden on thermal units. At the same time the higher output of thermal stations caused a severe drain on coal stocks, which were already at a minimum. In addition, the inadequacy of the internal transport system began to affect many industries; there was a backlog of 2 million tons of freight at the end of February.

In Pakistan, although industrial production was expected to continue to rise in 1957, it was feared that the fall in foreign exchange holdings which necessitated the restriction of imports of capital goods would interfere with the implementation of projects under the first five-year plan (1955/56—1959/60).

In the Philippines both manufacturing and mining production continued to grow during the first months of 1957. Just after the end of 1956, the National Economic Council approved the country's revised five-year economic development programme, together with an alternative three-year production programme which might be implemented in case a more rapid plan was desired by the President.

In the remaining countries of the ECAFE region whose economy still has a relatively limited industrial sector,



industrial production did not show an appreciable increase, although expansion of industrial capacity displayed further progress.

In Afghanistan, projects financed by foreign capital were under way but most of them will not be completed before 1958. In Burma, the four-year economic and recovery programme (1956/57—1959/60) received a United States loan of \$42.3 million concluded in March 1957. Some projects which had been dropped from the plan were restored and the progress of other schemes was accelerated. Work on a fertilizer plant, a rubber tire and tube factory, a paint and varnish factory and an alcohol plant was scheduled to begin in 1957/58, a year ahead of schedule. In Ceylon, the Department of Industries continued its policy of promoting and establishing new industrial ventures. In March 1957 three additional corporations were established to operate a government plywood factory, a tannery and leather establishment and a plant for producing DDT, caustic soda and chlorine. In the Federation of Malaya, M\$16.4 million has been provided in the five-year development plan (1956-1960) for the stimulation of industrial development. In southern Viet-Nam plans for factory development under a newly formulated five-year plan (1957—1961) appeared modest in view of the paucity of industrial resources; they were chiefly intended to reduce dependence on imports of articles that could be produced domestically. Priority was given to sugar and paper mills and to the manufacture of glass, building materials and various chemicals.

#### Development of Major Industries

##### Fuel & Power

**Coal.** Output of coal in 1956 in the major producing countries—mainland China, India and Japan—increased by 10 per cent, to 192 million tons. During the first quarter of 1957, compared with the same period a year before, coal output rose 9 per cent in India and 16 per cent in Japan, owing to increased seasonal demand from thermal power stations. In mainland China, output during the first six months of 1957 rose by 7 million tons over the first half of 1956. Among the remaining countries, whose output was only 2 or 3 per cent of the region's total, substantial increases were noted in Pakistan and southern Korea.

Large expansion in capacity for coal production was planned in various countries. In mainland China, it was planned to expand productive capacity by 11 million tons during 1957, or by 45 million tons within the five-year period 1953-1957. Coal production was expected to rise in 1957 by 10.7 per cent, to 117 million tons. In India, the annual production target at the end of the second five-year plan was raised to 60 million tons, from existing production of 38 million tons. Proposals were also presented for setting up a plant to manufacture 30,000 tons of coal-mining equipment required for the development of the coal-mining industry. In Japan, the Ministry of International Trade and Industry planned to increase annual production of coal from 46.5 million tons in 1956 to 52 million tons in 1957. In Pakistan, the Pakistan Industrial Development Corporation undertook the development of several collieries in the Mari Indus and the Baluchistan areas. In the Philippines, a bond issue of \$500,000 was approved to exploit the Cebu coal deposits. In southern Viet-Nam, it was planned to expand production in the Nong Son coal-mines to 10,000 tons a year.

**Petroleum.** Production of crude petroleum continued to increase in 1956 and early 1957. Output in the small producing countries remained almost stationary; the gain was largely accounted for by Brunei and Indonesia. Out-

put of petroleum in Burma and Sarawak continued substantially below pre-war levels, at one-fourth and one-third, respectively, of the 1938 output.

There was a rise in the output of petroleum products in early 1957 in Indonesia; output in Japan in fiscal year 1956 (ended March 1957), rose over that of fiscal 1955 by 33 per cent, to a new post-war high of 12.46 million kilolitres, made possible by larger imports of crude petroleum.

A more vigorous interest in developing their oil resources was noticeable in many countries. In Burma, a new refinery built near Rangoon started operations in March 1957. About 40 per cent of the output was to be gasoline, and was expected to result in an annual saving of imports of nearly \$400,000 in foreign exchange. In Ceylon, construction of a new oil refinery was in the planning stage. In mainland China, it was planned to increase crude petroleum output in 1957 by 29 per cent, to 1.5 million tons. India hoped to raise oil production to 3 million tons in 1959—about eight times the current annual output. Meanwhile the Government was implementing its Rs 300 million oil exploitation programme. In Indonesia, additional funds were invested by foreign oil companies in 1956 and further increases were contemplated for 1957, largely for the extension and modernization of existing installations and for the expansion of pipelines and terminal facilities. The Government was negotiating with one of the existing oil companies to establish additional refineries to process crude petroleum, which was being exported in large quantities each year. In the Philippines, oil prospecting was increasingly in the spotlight. About thirteen companies hold concessions for exploration, including some in off-shore areas along the coast of Luzon. In Thailand, the Government planned to develop oil resources in Ampur Farn, and the establishment of two oil refineries was considered feasible.

**Power.** The continued increase in the output of electric power in the region during 1956 and early 1957 was partly offset by a fall in production in Japan, caused by unfavourable weather conditions. Although new productive capacity was added during the period under review, a considerably larger volume of capital investment will be necessary for some years to enable the region to satisfy demand.

In Ceylon, work on the Gal Oya development project and on the second stage of the Laksapana hydroelectric scheme was still under way during 1957.

In China, the output of electricity on the mainland increased from 12.3 billion kilowatt-hours in 1955 to 16.6 billion in 1956; it was planned to raise it to 18.9 billion kilowatt-hours in 1957. During the first five months of 1957, power production was 1,360 million kilowatt-hours greater than in the corresponding period of 1956. Power stations to be erected during 1957 number 97; of these, 29 were expected to begin operations in 1957, adding a generating capacity of over 500,000 kilowatts to the country's total. In Taiwan, electricity production increased from 1.7 billion kilowatt-hours in 1955 to 2.25 billion in 1956 and was scheduled to rise to 2.7 billion kilowatt-hours in 1957 and 3.91 billion by 1960. Further developments being planned were concentrated in the Tachia Creek region.

In India, further progress was made during 1956 on various multiple-purpose projects, providing a substantial gain in generating capacity and thus contributing to the increase in power generated. During the first quarter of 1957 a total of about 2.6 billion kilowatt-hours was generated, compared with 2.3 billion during the corresponding period of 1956.



In Japan, the upward trend in power generation tapered off from a monthly average of 5,118 million kilowatt-hours in 1956 to 5,044 million in the first quarter of 1957. The country had already embarked upon large-scale power development. It was planned to install additional 8.4 million kilowatts of capacity during the following four years. There was strong interest in Japan—as was also the case in India—in prospects for nuclear power. In southern Korea, the restoration of war-damaged facilities to meet a minimum power requirement of 120,000 kilowatts was virtually completed during 1956.

In Pakistan, generating capacity was expanded by about one-seventh, to 343,000 kilowatts, in 1956; power generated during the year rose by 18 per cent, to 722 million kilowatt-hours. A sum of Rs 60 million in the 1957/58 budget was allotted for preliminary work in constructing the Karnafuli hydroelectric project; one 40,000 kilowatt turbine was expected to be in operation in 1959, followed by a second in 1960 and a third in 1961. The Pakistan Petroleum Company was engaged in transmitting gas from the Sui natural gas fields to Multan, where a 137,000 kilowatt power station using this fuel was to be built.

In the Philippines, with the completion of currently scheduled governmental development projects, power capacity was expected to increase substantially, from the current 88,000 kilowatts to 324,000. The newly completed 75,000 kilowatt Ambuklao hydroelectric project, which started producing with one generator in January 1957, was expected to serve north and central Luzon, and Manila. Permanent interconnexion facilities with the Manila Electric Company were completed in March 1957.

#### Iron and Steel

Iron and steel are mainly produced in China, India and Japan; the output of these countries rose rapidly in 1956 and early 1957. In Japan, the iron and steel industry showed unprecedented prosperity. Production of steel ingots in fiscal year 1956 (ending 31 March 1957) attained the target set for fiscal year 1960. Nevertheless, steel output was not able to keep pace with the growing export demand for steel products, and it became necessary in the course of the year to authorize special imports of about 500,000 tons. In the meantime, the five-year programme had been revised; under this programme, production in fiscal year 1960 was expected to be larger than in fiscal year 1955 by 77 per cent for pig-iron, by 35 per cent for steel ingots and by 75 per cent for ordinary steel materials.

In China, production of pig-iron, steel and steel products on the mainland in 1957 was planned to rise by 16.3 per cent, 11.7 per cent and 17 per cent, to 5.6 million, 5.0 million and 4.5 million tons, respectively. Steel production during the first six months of 1957 was reported to have risen 24 per cent, to 2.49 million tons, over that in the corresponding period of 1956, while productive capacity was planned to rise by 489,000 tons in 1957. In 1956, Taiwan produced 30,000 tons of pyrites, 17,000 tons of pig-iron and 88,000 tons of steel products, but imported about 40,000 tons of scrap steel. In view of the expanding need for iron and steel, negotiations were under way to complete an iron and steel plant by 1960, with a productive capacity of 200,000 tons (largely for domestic consumption but partly for export), with the participation of United States capital, techniques and equipment, and Philippine iron ore, at an estimated cost of \$60 million.

In India, production of iron and steel continued to rise in early 1957. Three government-owned plants, with west Germany, Soviet Union and United Kingdom collaboration, were in process of construction, each with a capacity of a

million tons of steel ingots. At the same time steel production by two private Indian companies was expanded: Tata Iron and Steel Company, the largest producer, received a \$75 million loan from the International Bank for Reconstruction and Development, and the Indian Iron and Steel Company received a \$20 million loan, to expand production to 2 million and 800,000 tons, respectively. With all these plants in operation, the Government was expected to achieve its goal of 6 million tons a year, or a fourfold increase in present capacity, by 1960/61.

In other countries, progress in iron and steel was also noted. Burma had almost completed the construction of its first iron and steel plant. Several countries, such as Indonesia and southern Korea, took preliminary steps to set up an iron and steel industry, while others, such as Pakistan and the Philippines, planned increased production. In Malaya, M\$10 million was invested to mine high-grade iron deposits in Ipoh, while in Ceylon an exhaustive survey was conducted to assess the island's iron ore deposits. An earlier survey in the latter country showed that there were scattered deposits estimated at nearly 2 million tons.

#### Engineering

The output of engineering industries during 1956 progressed considerably in the three major producing countries—China, India and Japan. Further advances in 1957 appeared to be assured in India and Japan, though not in mainland China. The machine making industry of mainland China produced a total output valued at 5,760 million yuan in 1956, representing an increase of 90 per cent over 1955. This rapid rate of increase was to be halted in 1957, in view of the shortage of iron and steel; the total value of the output of the machine making industry was to be reduced to 96 per cent of the 1956 level. However, production targets for steam turbines, steam boilers, electric motors and electric transformers were to increase by 19 per cent, 33 per cent, 18 per cent and 26 per cent, respectively, in 1957 compared with 1956. Data for the first half of 1957 showed a rise of 15 per cent in the output of machine tools, of 22 per cent in power generators and of 20 per cent in electric motors. In Taiwan, the second four-year plan envisaged an increase in machinery output from 10,000 tons in 1956 to 28,000 tons in 1960.

In India, manufacture of general engineering, electric engineering and transport equipment gained momentum during the previous two or three years and large expansions were planned. The Government decided to develop heavy machinery manufacturing by a total investment of Rs 800 million to Rs 900 million, in an integrated system of seven plants, including a heavy machine building shop, a foundry forge shop, a heavy structural shop, a plate and vessel shop, a heavy machine tool plant, a mining machinery and equipment plant, and an alloy and tool steel plant.

In Japan, the index of machinery production in 1956, reflecting the rise in investment, was 58 per cent higher than a year before. Receipt of orders for machinery during 1956 was 88 per cent above that of the previous year. Machinery manufacturers were expected to be fully engaged until October 1957, and the shipbuilding industry, which made the most notable gain, until October 1958. Domestic orders for ships also increased substantially, in accordance with the current policy of building up Japan's ability to carry a greater part of its own trade.

In Pakistan, considerable progress was recorded in 1956 in the assembly of motor-cars and sewing machines, and in the production of machine tools and diesel engines. The programme for 1957 included assembly and manufacture of agricultural implements and small high-speed engines, and



shipbuilding. The first phase of construction of the Karachi shipyard and engineering works was almost completed. The shipyard commenced the manufacture of hopper barges and survey launches. Another two shipbuilding yards under construction in East Pakistan were expected to be completed by mid-1957, for the repair of diesel engines and river craft and the manufacture of small ships, up to 750 tons deadweight.

In southern Viet-Nam, the successful establishment of a watch assembly plant at the close of 1955 led to plans to found several competing enterprises in 1956. A motor-scooter assembly plant was also established, and interest was manifested in automobile assembling and battery radio manufacturing.

In Ceylon, the Government considered proposals for the erection of motor assembly plants. It was estimated that about 35,000 machines, one-third of the country's requirements, could be produced annually. A cycle factory was expected to start production in May 1957.

### Cement

Output of cement increased steadily in 1956 and early 1957 in the principal producing countries—China, Japan, India, Pakistan and the Philippines—though a decrease in production was shown in southern Korea in 1956 and in Thailand and Hongkong in early 1957.

In Ceylon current annual demand was about 240,000 tons, of which only one-third was met by domestic production. It was expected that with expansion in production by the establishment of the two more factories under consideration, total production would be only a little short of domestic requirements.

In China, cement production on the mainland in 1957 was planned to rise by 6.5 per cent, to 6.81 million tons; during the first six months of 1957 it rose 288,000 tons over output in the corresponding period of 1956. It was planned to expand productive capacity by 1.08 million tons in 1957. In Taiwan, cement production remained unchanged, at about 590,000 tons in 1956, and was scheduled to rise to 700,000 tons in 1957 and 1.2 million tons by 1960.

In India, output of cement in 1956 exceeded 5 million tons, compared with 4.5 million tons in 1955, and advanced further in early 1957. During 1956 the shortage of cement was pronounced, despite the gain in production. Total demand for cement rose from 2.6 million tons per annum during 1949/51 to 10 million tons in 1956/57. The Government approved the licensing of thirty-one new factories and the expansion of existing plants, to reach a total capacity of 16 million tons before the end of the second five-year plan. The new units which were approved were expected to have a total capacity of 5.6 million tons.

In Indonesia, work on a cement plant in Gresik, East Java, was completed in April 1957, well ahead of schedule. A training management contract was signed with the construction firm to provide training and advice on technical matters during the first eighteen months of the plant's operations. Plans also were made to use the Gresik plant as a personnel training centre for other plants to be constructed under the five-year plan, including a factory to be built shortly in Medan, Sumatra.

In Japan, the trend in cement production turned upwards rather sharply owing to increased exports and accelerated investment in equipment. Production of cement in fiscal year 1956 amounted to 13.8 million tons, which was 24.5 per cent more than the earlier peak production of fiscal year 1950.

In southern Korea, the output of cement, which had fallen during the past two years, showed a revival during the first quarter of 1957. It was expected that cement production would be increased substantially by mid-1957, when a new plant at Mung Yong was to start producing 200,000 tons a year.

In Pakistan, substantial quantities of cement have had to be imported during previous years as a result of a large increase in construction work. Since the opening of the Daudkhel factory in 1956, however, the country has been in a position to export cement. In the Philippines, the Cebu Portland Cement Company has modernized its plant with the objective of doubling its output.

### Chemicals

Further increases were recorded in the production of chemicals in the region during 1956; these gains averaged 8 per cent each for India and the Philippines and 18 per cent for Japan. In early 1957, the output of chemicals also went up to new highs in these countries. In several other countries, like Burma and Ceylon, new establishments were set up in secondary chemical industries.

In China, production of caustic soda on the mainland was scheduled to rise 13.8 per cent in 1957, to 178,000 tons, and ammonium sulphate output by 12 per cent, to 499,000 tons. It was also planned to expand producing capacity in 1957 by 40,000 tons for sulphuric acid and by 90,000 tons for ammonium nitrate. In Taiwan, chemical fertilizer production in 1956 rose 15 per cent, to 195,000 tons, mainly because of a 25 per cent rise in the production of calcium superphosphate, to 101,000 tons. Chemical fertilizer imports in 1956 fell slightly, from 321,000 tons in 1955 to 314,000 tons in 1956. It was expected that all the fertilizer projects initiated during the first four-year plan period would be brought into production during the period of the second plan. With the completion of three new fertilizer plants in the autumn, production was expected to rise by 150 per cent, to an annual output of over 500,000 tons.

In India, the group index for chemical production (1953=100) increased appreciably, from 122 in 1955 to 131 in 1956 and 140 at the end of the first quarter 1957. Encouraged by a record increase in the output of certain basic chemicals, the Government planned to raise their production nearly fourfold during the period of the second five-year plan. The production of soda ash was expected to reach between 250,000 and 300,000 tons in 1960/61, compared with 77,270 tons in 1955/56. The output of caustic soda was also expected to rise, from 34,250 tons in 1955/56 to 200,000 tons by the end of the plan. The gain envisaged in the production of liquid chlorine was, however, expected to be the largest—from 14,580 tons to 250,000 tons during the same period. The contemplated increase in sulphuric acid output was 165,000 tons in 1955/56, and between 500,000 and 600,000 tons in 1960/61, to over three times the current 245,000 ton capacity of the industry. Annual production of 200,000 tons of complex fertilizers at a new fertilizer plant soon to be established was recommended by the Ministry of Food and Agriculture. These complex fertilizers, containing the principal plant nutrients, were expected to cost about 40 per cent less than the prevalent price of fertilizers.

In Indonesia, construction of a fertilizer plant in southern Sumatra was expected to commence early in 1958 and to be completed before the end of the five-year plan period. In Japan, production in the chemical industries registered a persistent increase, with monthly average output rising in 1956 to four times the pre-war amount. Output



of chemical products in the first quarter of 1957 increased by about 18 per cent over the corresponding period in 1956. Production of major chemicals was expected to show a further substantial rise because of active investment in plant and equipment since early 1956.

In Pakistan, a caustic soda and chlorine plant and a DDT plant have started producing. Two fertilizer plants with an annual capacity of 6,000 tons of superphosphates and 50,000 tons of ammonium sulphate were expected to begin operations in 1957, while a 6.8 million mega-unit penicillin plant was nearing completion.

Textiles

Cotton textile production in the region increased during 1956 and early 1957, at a fairly rapid rate in Japan and more moderately in mainland China, India, southern Korea, Pakistan and the Philippines. Aside from the manufacture of traditional textile products, a growing interest was noted in several countries in the production of synthetic textiles.

In China, cotton yarn production on the mainland in 1957 was expected to fall by 12 per cent, to 4,635,000 bales and cotton cloth output by 15 per cent, to 5,000 million metres, on account of a 5 per cent decrease in the 1956 raw cotton crop. Because of this reduction, the cotton cloth ration for the year, fixed at 3.2 metres per capita in towns and 2.5 metres in villages, was halved for the four-month period, May to August 1957. In Taiwan, cotton textile production fell in 1956, owing to saturation of the domestic market and limited prospects for export. Cotton yarn production fell 2.7 per cent, to 24,436 tons, while cotton cloth output fell more drastically, by 14.8 per cent to 139 million metres, owing to over-production in 1955. Since Taiwan produces little raw cotton, imports of cotton, financed mainly by United States aid, have been large. In 1956, the slack in the cotton textile industry resulted in a drop in raw cotton imports of one-quarter, to 22,170 tons. With a view to economizing on foreign exchange outlays, the Government encouraged the substitution of artificial fibres for raw cotton and included projects for the production of artificial fibres in the second four-year plan.

In India, aggregate mill output of yarn and cloth in 1956 amounted to 758,000 tons and 4,853 million metres, respectively—an all-time peak. Mill output of yarn and cloth continued to increase through the first quarter of 1957, from 181,000 tons and 1,150 million metres, respectively, during the same period of the previous year, to 204,000 tons and 1,253 million metres. The maintenance of the high level of textile mill output was attributed to expansion of installed capacity under the first five-year plan.

In Japan, cotton yarn production in 1956 at 488,400 tons—an increase of 17 per cent over 1955—set a new post-war record, while output of cotton textiles amounted to 2,906 million square metres, an increase of 15 per cent above that of 1955. The number of spindles in December 1956 was estimated at about 9 million, an increase of about 800,000 over 1955. During the first quarter of 1957, output of cotton yarn and cotton fabrics rose 17 per cent and 15 per cent, respectively, above that of the corresponding period in 1956, owing to active exports and high domestic demand.

In Pakistan, the output of cotton yarn and textiles increased during 1956 by 10 per cent, and a large quantity of medium-grade varieties of grey cloth and cotton yarn was exported. Arrangements were made to import equipment for bleaching, dyeing, printing and finishing in order to improve the quality of cloth.

In Indonesia, the Government, in its policy of protecting domestic industries, in February 1957 introduced the so-called link system, whereby importers were obliged to buy yarn from national spinning mills to the extent of 20 per cent of the amount covered by their import licences.

Output of jute manufactures during 1956 and early 1957 continued to expand in Pakistan. India's output also increased during 1956 but fell during the first quarter of 1957 owing to weakness in demand. Pakistan has undergone a most striking period of expansion in jute manufacture in recent years. One estimate placed the output of Pakistan for 1957 as high as 220,000 tons, compared with 130,000 tons in 1956, 90,000 tons in 1955 and 44,400 tons in 1953. The Pakistan Government decided to participate in the installation of jute mills in foreign countries in order to promote Pakistan exports of raw jute. During 1956 a sum of Rs 11.4 million was invested in jute mills in Egypt, Iraq and Turkey.

TRADE AND PAYMENTS

The total value of the trade of most Far Eastern countries\* continued to grow in 1956; imports of \$10,743 million and exports of \$8,843 million represented increases of 18 per cent and 6 per cent, respectively, with the result that the trade deficit of \$1,900 million was two and one-half times as great as in 1955. Over 90 per cent of the rise in total import values (\$1,540 million) was accounted for by five countries (Japan \$759 million, India, \$299 million, Indonesia, \$225 million, Hongkong, \$148 million and Malaya, \$109 million), chiefly because of the need to replenish declining inventory stocks under boom conditions (Japan), imports of consumer goods to counter inflationary pressure (Indonesia) or increased import requirements for development purposes (India); the latter incentive applied to other countries also, and was reflected in the increased entrepot trade of Hongkong and Singapore.

During the first quarter of 1957, as compared with the previous quarter, imports rose more quickly than exports, to \$3,115 million and \$2,371 million, respectively, resulting in a larger trade deficit—\$744 million (see table 5). The rise in imports for the above-mentioned five countries amounted to \$50 million.

Table 5 ECAFE Region: * Total Value of Imports and Exports, 1954 to 1957 (Millions of United States dollars)			
Period	Imports	Exports	Balance of trade
1954 .....	8,548	7,268	—1,280
1955 .....	9,091	8,343	— 748
1956 .....	10,743	8,843	—1,900
January-March .....	2,505	2,197	— 308
April-June .....	2,689	2,118	— 571
July-September .....	2,702	2,151	— 551
October-December ...	2,848	2,380	— 468
1957:			
January-March; .....	3,115	2,371	— 744

\* Burma, Cambodia, Ceylon, China (Taiwan), Hongkong, India, Indonesia, Japan, southern Korea, Laos, Malaya and British Borneo, Pakistan, Philippines, Thailand and southern Viet-Nam.  
† Figures for British Borneo; Burma and Laos are estimates.

The total value of the trade of mainland China was estimated to have risen from 8,487 million yuan in 1954

6 Including Burma, Cambodia, Ceylon, China (Taiwan), Hongkong, India, Indonesia, Japan, southern Korea, Laos, Malaya and British Borneo, Pakistan, Philippines, Thailand and southern Viet-Nam, but excluding Afghanistan, China mainland and Nepal. Customs rather than payments data are used throughout the present section.



to 10,865 million yuan in 1956, or 28 per cent. Imports were 5,297 million yuan and exports 5,568 million yuan, giving rise to a trade surplus of 271 million yuan. It was planned to reduce total imports in 1957 to 4,755 million yuan and total exports to 5,200 million yuan, that is, 10.2 per cent and 6.6 per cent. The rise in the trade surplus to 450 million yuan, because of the lower rate of decline in exports than in imports, appeared necessary to repay the country's loans to the Soviet Union and to finance its programme of aid to Asian and other countries.

The aggregate gold and foreign exchange assets of ten countries in the ECAFE region<sup>7</sup> at the end of 1956 decreased to \$4,697 million, that is, by 6 per cent below the total at the end of 1955. The decline took place in India and Indonesia only; there was a rise in the remaining countries, particularly Burma, Japan and Thailand (see table 6).

1956. On the other hand, shipments to eastern European countries under barter arrangements fell 30 per cent below the level reached in 1955. To further expand its sales of rice and other export products, Burma signed trade agreements in the first quarter of 1957 with Ceylon, mainland China, India, Indonesia, Israel, Japan, Malaya, Mauritius, Pakistan, the Ryukyu Islands, the Union of Soviet Socialist Republics and Yugoslavia.

#### Thailand

In 1956 Thailand's exports remained unchanged, at \$335 million, but imports rose by \$28 million, to \$362 million, resulting in a trade deficit of \$27 million. In the first quarter of 1957 as compared with the previous quarter, a slower rise in exports than in imports converted the trade surplus of \$6 million to a trade deficit of \$2 million.

Table 6  
Gold and Foreign Exchange Assets of Ten ECAFE Countries, 1954 to 1957 \*

Country	1954	1955	1956	1956		1957 March
				March	December	
Burma .....	142	124	145	149	145	135†
Ceylon .....	197	251	255	253	255	243
India (Reserve Bank) .....	1,782	1,791	1,360	1,814	1,360	1,354
Indonesia .....	147	241	147	181	147	109
Japan .....	1,130	1,471	1,646	1,557	1,646	1,426
Korea, southern .....	108	96	99	92	99	104
Pakistan (State Bank) † .....	328	370	373	385	373	379
Philippines .....	272	209	220	222	224	225
Thailand (Bank of Thailand) .....	273	298	311	309	311	324
Viet-Nam, southern .....	—	136	141	140	141	147
Total .....	4,379**	4,987	4,697	5,102	4,701	4,446

\* Figures for end of period; unless otherwise indicated, data are for official authorities and commercial banks.

† February.

† Issue department only.

\*\* Excluding southern Viet-Nam.

At the end of March 1957, the foreign assets of the ten countries, at \$4,446 million, were 13 per cent lower than at the end of March 1956. Significant developments included a decrease of \$460 million in India and \$131 million in Japan.

#### Food Exporting Countries

##### Burma

Imports and exports of Burma, after a dip in 1955, recovered in 1956, to \$197 million and \$242 million, respectively—a trade surplus of \$45 million. Imports and exports remained unchanged in the first quarter of 1957 from the last quarter of 1956, each at a level of about \$56 million. This change in trade was reflected in the country's foreign assets, which rose from \$124 million at the end of 1955 to \$145 million at the end of 1956, but fell to \$135 million at the end of February 1957.

Burma's rice exports, after dropping to one million tons in 1953, rose steadily until they reached 1.7 million tons in 1955 and 1.9 million tons in 1956—a figure higher than the combined exports of 1.45 million tons from Thailand, China (Taiwan), Cambodia and southern Viet-Nam in the same year. Rice shipments to Indonesia and Pakistan for cash payment rose; the two countries took 15 and 16 per cent, respectively, of total Burmese rice exports in

However, the country's foreign assets position improved, owing mainly to an inflow of United States aid, loans from the International Bank for Reconstruction and Development, and reparations from Japan.

Among the major exports in 1956, those of rice rose by one per cent, to 1.27 million tons, rubber by 3 per cent, to 136,000 tons, and tin concentrates by 13 per cent, to 13,000 tons. As usual, these three items constituted about 70 per cent of the total value of Thai exports.

More than two-fifths of the trade was transacted with sterling area countries in the ECAFE region, primarily Hongkong and Malaya; purchases of rice by Japan were lower. Transactions with the dollar area also increased in both absolute and relative terms, because of the important role played by the United States in supplying aid imports into Thailand and purchasing Thai rubber exports. In 1957 trade agreements were signed with the United States in March and with Pakistan in July.

##### Southern Viet-Nam

The exports of southern Viet-Nam paid for about one-fifth of its imports in 1956; the trade deficit of \$169 million was met by external aid, chiefly from the United States. Exports in 1956 dropped significantly—as much as 40 per cent from the 1955 level—mainly because of a drastic decline in rice exports, from 82,000 tons to under 5,000 tons. Because of a substantial inflow of external aid, the foreign

<sup>7</sup> Burma, Ceylon, India, Indonesia, Japan, southern Korea, Pakistan, Philippines, Thailand and southern Viet-Nam.



assets of southern Viet-Nam improved slightly despite the heavy trade deficit; they were \$141 million at the end of 1956 compared with \$136 million a year before.

In the first quarter of 1957, as compared with the last quarter of 1956, exports showed a significant seasonal rise, to \$16 million, while imports went up more slowly, to \$61 million, leaving a trade deficit of \$45 million, the same amount as in the previous quarter. Besides rice and rubber, fish exports, particularly to Singapore, rose. In March a trade and payments agreement was signed with Japan.

#### Cambodia

In 1956 increased imports of Cambodia, at Ri 1,962 million, and decreased exports, at Ri 1,248 million, raised the trade deficit to Ri 714 million, compared with Ri 338 million for 1955. This deficit was financed by external aid from mainland China, France and the United States.

The trade deficit arose mainly from a continued decline in exports. Rice exports, the major source of foreign exchange earnings, dropped from 296,000 tons in 1954 to 96,000 tons in 1955 and 70,000 tons in 1956. In the first quarter of 1957, rice exports mounted sharply from the low level of 17,000 tons in the previous quarter, to 74,000 tons; as a result, there was for the first time in recent years a trade surplus of Ri 178 million. Exports of rubber, the next important item, rose slightly, from 26,000 tons in 1955 to 28,000 tons in 1956. In May 1957 a trade and payments agreement was signed with the Soviet Union.

#### China (Taiwan)

In 1956 the foreign trade of China (Taiwan) was characterized by a 4 per cent fall in export earnings, to \$118 million, a 3 per cent fall in imports (including United States aid imports of \$81 million), to \$194 million, and a trade deficit of \$76 million financed by United States aid.

Sugar exports in 1956 rose from 586,000 to 601,000 tons, but rice exports fell from 170,000 to 109,000 tons. The latter decline was due mainly to reduced purchases by Japan. The share of total exports represented by both sugar and rice fell from 73 to 66 per cent, with a corresponding rise in the proportion for exports of tea, canned pineapples, citronella, coal and other merchandise, particularly manufactured products.

Among the imports (including aid imports), there were substantial declines in crude oil, beans and peas and raw cotton, a slight fall in chemical fertilizers, but a large rise in wheat and in capital goods, including machinery. Other import items, which are being produced in increasing quantities in Taiwan, fell in value (galvanized sheets and wires) or disappeared completely from the import list (wheat flour, cotton yarn and cotton cloth).

In the first quarter of 1957, imports amounted to \$45 million (including United States aid imports of \$14.4 million) and exports to \$50 million, resulting in an export surplus of \$5 million, compared with an import surplus of \$11 million during the first quarter of 1956.

During 1957 trade agreements were signed with southern Korea in March, with Lebanon in April and with Morocco in May.

#### Raw Material Exporters

##### Ceylon

In 1956 Ceylon's imports rose 11 per cent, to \$342 million, while exports fell 10 per cent, to \$364 million, thus reducing the trade surplus from \$100 million in 1955 to

only \$22 million in 1956. In the first quarter of 1957, a 19 per cent rise in exports, to \$108 million, converted the trade deficit of \$4 million in the previous quarter to a trade surplus of \$11 million. The amount of foreign assets rose slightly, from \$251 million at the end of 1955 to \$255 million at the end of 1956, but fell somewhat, to \$243 million, at the end of March 1957.

The 10 per cent fall in Ceylon's exports in 1956 was due to a decline in the volume and prices of exports. Quantities fell in the case of major exports, by 3 per cent for tea, 13 per cent for copra and coco-nut oil, and 11 per cent for rubber. Because of the rise in the unit value index for imports and the fall in the unit value index for exports, the terms of trade deteriorated by 17 per cent. In the first quarter of 1957, the value of tea exports rose 10 per cent and of rubber exports 17 per cent, owing to an increase over the previous quarter in the quantity exported.

In 1956 the share of the United Kingdom rose significantly in Ceylon's exports but only slightly in its imports. Exports to Egypt fell during the Suez crisis, while exports to mainland China rose. The rice-rubber agreement with mainland China was re-negotiated for the final year of the five-year period; it was expected to be renewed upon its expiration.

##### Indonesia

In 1956 Indonesian imports rose by 37 per cent, to \$829 million, while exports fell by 5 per cent, to \$882 million, thus reducing the trade surplus from \$327 million in 1955 to \$53 million in 1956. In the first quarter of 1957, a 20 per cent fall in export earnings and a 6 per cent rise in import payments converted the trade surplus of \$64 million for the previous quarter into a trade deficit of \$1 million.

The quantity of exports of tin concentrates fell 2 per cent in 1956, sugar dropped 4 per cent and rubber 8 per cent; but exports of palm kernels and oil rose 7 per cent, copra and coco-nut oil 11 per cent, tea 21 per cent, and petroleum and its products 11 per cent.

The trade surplus of Indonesia has usually financed invisible payments, including investment income as well as the non-trade transactions of oil companies; the Government has drawn down foreign asset holdings when the trade surplus was insufficient to meet payments on invisible account. In 1956 net foreign asset holdings fell to the dangerously low level of \$86 million at the end of June, compared with \$241 million half a year before. Faced with the depletion of its foreign exchange reserves, the Government on 11 July for the second time invoked the escape clause in the statutes of the Bank of Indonesia; this allows its 20 per cent legal reserve requirement, of gold, convertible currencies and the right to draw on the International Monetary Fund, to fall to 15 per cent for as long as three months. The foreign assets position improved subsequently, rising to \$147 million at the end of 1956. However, reserves dropped again in the first quarter of 1957, owing to the large trade deficit. In February 1957 the Government issued an emergency decree, again reducing the minimum reserve from 20 to 15 per cent.

In 1957 trade and payment agreements were concluded with Burma, Egypt, India, Italy, northern Korea, Pakistan, Sweden, Thailand, northern Viet-Nam and others.

##### Malaya

With exports remaining unchanged at \$1,361 million and imports rising by 9 per cent above the 1955 level, to \$1,357 million, the trade surplus of Malaya was greatly re-



duced, from \$110 million in 1955 to the small total of \$4 million in 1956. While an 8 per cent fall in the unit value index for exports was almost offset by a 7 per cent rise in the quantum of exports, the value of imports rose, mainly because of a 10 per cent rise in the quantum of imports.

In the first quarter of 1957, the small trade surplus of \$8 million in the previous quarter was converted into a trade deficit of \$26 million, owing to a much larger rise in imports than in exports.

#### Pakistan

A 20 per cent fall in 1956 in the export earnings of Pakistan, to \$339 million, and a 20 per cent rise in import payments, to \$351 million, converted the trade surplus of \$111 million in 1955 into a trade deficit of \$12 million. The volume of exports fell by 22 per cent, to 132,000 tons, in the case of raw cotton and by 13 per cent, to 859,000 tons, for raw jute. It rose, however, for less important items: tea exports doubled, to 9,900 tons, and there was a 16 per cent rise in exports of hides and skins, to 10.4 million pieces. About three-quarters of the total export value was contributed by raw jute and raw cotton.

Despite the emergence of a trade deficit in 1956, the level of foreign assets remained unchanged at about \$373 million, because of an increase in foreign investment and United States aid imports. In the first quarter of 1957, exports rose about 80 per cent, to \$137 million, owing to seasonal factors, while imports fell 19 per cent, to \$102 million, with the result that the trade deficit of \$49 million in the previous quarter was converted into a trade surplus of \$35 million. The foreign asset position improved, from \$373 million at the end of 1956 to \$379 million at the end of March 1957.

In 1957 Pakistan concluded trade agreements with western Germany, India, Indonesia, Saudi Arabia and Thailand.

#### Philippines

In 1956 a vigorous attempt was made in the Philippines to control imports and expand exports, in order to reduce the large trade deficit and its consequent drain on the country's declining foreign exchange reserves. With a 6 per cent reduction in imports, to \$506 million, and an 11 per cent rise in exports, to \$459 million, the trade deficit was reduced from \$123 million in 1955 to \$47 million. However, in the first quarter of 1957, with a 4 per cent rise in imports, to \$141 million, and with exports remaining unchanged at \$117 million, there was again a rise in the trade deficit, from \$18 million in the previous quarter to \$24 million.

The foreign assets of the country, which fell from \$272 million at the end of 1954 to \$209 million at the end of 1955, recovered to \$220 million at the end of 1956. They remained at \$225 million at the end of March 1957, about the same as three months before.

The rise in export value was due to an increase in quantity rather than in price. Exports of copra and coconut oil rose 24 per cent, to about 690,000 tons, but sugar exports fell 4 per cent, to about 892,000 tons.

While the trade of the Philippines was still oriented towards North America, especially the United States, trade with north-western Europe and Asia rose in 1956—exports by 33 per cent and 35 per cent, respectively, and imports by 30 per cent and 3 per cent. In March 1957, trade and payments agreements were signed with Japan, for the first time since the conclusion of the war.

### Exporters of Industrial Goods

#### Japan

The foreign trade of Japan continued to expand in 1956, with exports amounting to \$2,501 million and imports to \$3,230 million. The rate of increase in 1956 was 24 per cent for exports and 30 per cent for imports. Under the influence of deflation, imports had risen only moderately (by 3 per cent) in 1955, but they increased rapidly in 1956, owing to rising demand for raw material imports by heavy industry and the chemical industries. The quantum index of imports rose 27 per cent while the unit value index of imports rose only 3 per cent. Among exports, the most striking change was a sharp increase in shipments of machinery, emphasizing a relative decline in exports of the products of light industries. Shipments of major categories of machinery were almost twice their value in 1955, and shipments of textile machinery and parts were up 40 per cent. Increased domestic demand for industrial raw materials was reflected in the decline of 14 per cent in iron and steel exports, compared with an increase of more than 50 per cent in 1955. The unit value index of exports rose by over 3 per cent, while the quantum index of exports rose by 20 per cent.

Despite the marked rise in imports and in the trade deficit, foreign exchange receipts exceeded payments by \$293 million, almost entirely because of receipts from invisibles, notably special procurements by United States forces in Japan. Gold and foreign exchange assets on 31 December 1956 were \$1,646 million, as against \$1,471 million a year before.

In the first quarter of 1957, the tendency towards increasing imports was heightened still further, and the import-export gap was widened. The trade deficit rose from \$184 million in the fourth quarter of 1956 to \$408 million in the first quarter of 1957. Gold and foreign exchange assets at the end of March 1957 consequently dropped to \$1,426 million, compared with \$1,557 million a year before.

During 1957, Japan concluded trade agreements with Brazil in January; with southern Viet-Nam and the United Kingdom in February; with India, Indonesia and the Philippines in March; with the Netherlands in May; and with Sweden in June.

#### India

In 1956, from April onwards, there was a sharp fall in reserves in India, caused primarily by the fact that while imports rose substantially exports failed to expand even moderately. During the early months of the second five-year plan (April-September), the average monthly value of imports was \$140 million; the largest monthly import total since May 1952, \$172 million, was reached in September. Imports in 1956 were of the order of \$1,712 million, while exports were about \$1,269 million, with a trade deficit of \$443 million, compared with \$137 million in 1955. As a result, gold and foreign assets fell in the course of the year by 24 per cent, to \$1,360 million, at the end of 1956.

Import trade was largely influenced by the needs of the second five-year plan, with its greater emphasis on increased industrialization. Hence imports of machinery, spare parts and industrial raw materials received encouragement and greater facilities from the Government. Considerable priority was given to imports of steel plants, rayon plants, railways, and similar items. Imports in 1956 were 21 per cent higher than those of 1955, while exports declined by less than one per cent.

During the first quarter of 1957, owing to even higher imports than in the last quarter of 1956, the trade deficit



continued to show an upward trend—\$144 million, compared with \$94 million. Gold and foreign exchange assets remained almost unchanged, at \$1,354 million at the end of March 1957, through utilization of loans from the International Bank for Reconstruction and Development, and United States aid.

In 1957 India concluded trade agreements with Burma, Czechoslovakia, Finland, western Germany, Hungary, Indonesia, Iraq, Italy, Japan, Pakistan, Poland, the Union of Soviet Socialist Republics and northern Viet-Nam.

### Hongkong

In 1956 Hongkong's foreign trade expanded further. Exports increased 27 per cent, to \$563 million, while imports increased 23 per cent, to \$799 million, resulting in a trade deficit of \$236 million, compared with \$207 million for the previous year. Exports of Hongkong products increased about 7 per cent over 1955. Textile yarns, piece-goods and clothing accounted for 60 per cent of the total; but certain rapidly growing industries producing such merchandise as enamelled utensils, metal lanterns, plastic articles and foot-wear became increasingly important. Hongkong products comprised 54 per cent of the total exports to the United Kingdom, 25 per cent of those to Indonesia, 24 per cent of those to Malaya and 18 per cent of those to the United States.

Of the total imports of the colony, imports from mainland China increased 16 per cent over 1955, to \$180 million. The bulk of mainland China's exports to Hongkong consisted of livestock, poultry, meat products, vegetables, fruits and rice, to meet local requirements.

Hongkong's trade with Japan developed remarkably in 1956, with an increase of 54 per cent over 1955, and exports to Japan more than doubled the 1955 value. The United Kingdom ranked third as a source of the colony's imports and fifth as a market for Hongkong goods. Imports from Asian source in 1956 amounted to 21 per cent of total imports. The steady growth in Hongkong exports to the United States continued in 1956.

The colony's total exports during the first quarter of 1957 were valued at \$146 million, an increase of 7 per cent over the corresponding period in 1956. During this period, imports rose by 26 per cent, to \$244 million. As a result, the trade deficit rose to \$98 million.

### Trade of Mainland China

The total volume of imports and exports of mainland China in 1957 was expected to decline below the 1956 level, by 8.4 per cent, owing to a proposed reduction in exports of food grains (including soya beans), edible oils and pork, a 21 per cent cut in investment for basic capital construction, to 11,100 million yuan, and a consequent fall in requirements for imports of capital goods. Food grain exports were to be reduced from 2.44 million tons in 1956 to 1.9 million tons in 1957, and exports of pork and live pigs from 162,000 tons to 77,000 tons during the same period. Imports of general and transport machinery were to be cut to encourage domestic production.

For the past several years, the pattern of trade has been reported to be as follows: three-fourths of the exports consisted of farm products (both processed and unprocessed) and one-fourth of mineral products and manufactures; three-fifths of the imports were machinery and equipment, and two-fifths raw materials for industrial and agricultural production. The Government hoped that in the future the proportion of farm product exports would decline, and exports of mineral products and manufactures would rise;

while imports of machinery would decline in proportion, and imports of equipment and raw materials would rise.

### MONEY AND PRICES

In all countries except Cambodia and southern Viet-Nam, cost of living indexes in the first few months of 1957 were generally higher than in the corresponding period of 1956—more than 6 per cent higher in Burma, China (Taiwan), India, southern Korea, Pakistan and Thailand, less than 6 per cent higher in the rest. One common factor exerting an upward pressure on prices in many countries of the region was the rise in the level of import prices (in terms of local currencies), ranging from 6 to 10 per cent. Export prices in terms of foreign currencies generally declined in the food exporting countries, while they appeared to have risen slightly in the raw material exporting countries, except Malaya.

The rise in the cost of living index was largely due to the rise in food prices in Burma, China, India, Japan, southern Korea, Malaya, Pakistan and Thailand. Aid-financed food imports played a part in holding prices steady, especially in India, Indonesia and Pakistan.

On the demand side, the expansionary factor originated in government action to speed up economic development in several countries of the region. Thus in Burma deficit financing was continued in order to meet increased current and social expenditures; in mainland China capital construction activities rose extraordinarily in 1956, but slowed down in 1957; in India the quick tempo of public capital formation was made possible largely by continued heavy deficit financing; and development expenditures also increased in the Philippines. In Indonesia, however, the rise in current government expenditures was caused mainly by aid to outlying provinces.

Activity in the private sector continued to rise in India and the Philippines and was particularly marked in Japan, owing to the high rate of investment in equipment in the fiscal year 1956. In several other countries of the region, bank credit to the private sector rose, generally in response to the need for increased financing of imports.

In view of the deterioration in the terms of trade and the larger increase (or, in a few cases, the smaller decline) in imports than in exports, the external sector exerted a contractionary influence on the money supply and on incomes in several countries; foreign exchange assets declined, especially in Burma, Ceylon, India, Indonesia and Japan.

### Burma

Wholesale prices of local agricultural produce, the cost of living and the money supply rose in Burma in the first three or four months of 1957, with increases ranging from 7 to 10 per cent over the corresponding period of 1956.

The main expansionary factor on the demand side continued to be government deficit financing, owing to marked acceleration in the rate of government expenditures on defence and communications, and the excess of government disbursements for domestic rice purchases over receipts from rice sales abroad. Bank credit to the private sector, chiefly for financing the accelerated flow of imports, continued to rise; the turnover of bank deposits was higher.

The external sector, on the other hand, was heavily contractionary owing to a lower level of export receipts and a considerably higher level of import payments on both government and private account consequent on the policy of liberalization of imports. As a result, foreign exchange assets declined sharply.



Despite a larger food output in 1956/57 than in the previous crop year and a heavy inflow of imports of consumer goods after the fourth quarter of 1956, prices moved upward, partly because of the demand factors mentioned above and, more importantly perhaps, because of the continued tendency towards speculative stockpiling and hoarding, especially of imported goods.

#### Cambodia

The money supply in Cambodia in March 1957 was 22 per cent higher than a year earlier and the rate of increase during the first quarter of 1957 was about four times the rate in the corresponding period of 1956. The substantial increase in the money supply was associated with the remarkable rise in rice production (a 29 per cent increase in the crop year 1956/57 compared with 1955/56) and exports; compared with the first quarter of 1956, the value of exports in the first quarter of 1957 more than doubled, while the value of imports was cut by two-thirds. The cost of living index (Phnom-Penh) and its food component tended to decline; the averages in the first four months of 1957 were, however, only slightly lower than in the corresponding period of 1956.

#### Ceylon

The cost of living index for Colombo rose one per cent in the first five months of 1957 compared with the same period in 1956. While prices of domestically produced goods rose substantially, the food component of the index remained steady and the import component declined, owing to the policy of government subsidy for rice and sugar imports, initiated in May 1956.

Although, on balance, the money supply fell during the first four months of 1957, as well as in the same period of 1956, its level at the end of April 1957 was 4 per cent higher than that at the end of April 1956; there was also a rise in the velocity of circulation of private bank deposits.

In 1957, the internal sector was expansionary, mainly owing to government deficit financing. The government deficit resulted chiefly from decreased revenue from direct taxes, reflecting the dip in export incomes in 1956. Activity in the private sector also increased, largely in connexion with the higher level of foreign trade.

The fall in paddy production in the crop year 1956/57 was more severe than in 1955/56; on the other hand, export incomes in 1957 appeared to be higher than in the same period of 1956, owing mainly to a rise in the volume of exports. In these circumstances the upward pressure on domestic prices might have been expected to continue unless relieved by a higher volume of imports. The effect of rising import prices of food might be offset by government subsidies which, however, contribute to the government deficit.

#### China

The wholesale price and cost of living indexes for Taipei continued to rise in the first five months of 1957, although at a somewhat slower rate than in the corresponding period of the previous year. The averages in this period were 9 per cent and 8 per cent, respectively, above those for the same period of 1956. The food component of both indexes evidenced a similar rise.

The availability of goods appeared to be reduced. Agricultural production in the crop year 1956/57 did not appear to have increased as much as in 1955/56, while the volume of exports in the first quarter of 1957 was 40 per cent higher than in the corresponding quarter of 1956. On

the other hand, the volume of imports (including aid goods) during the first quarter of 1957 showed a significant decline as compared with the first quarter of 1956. The food situation continued to be strained and, beginning 18 November 1956, rice rationing was reintroduced in the large cities; it was estimated that the free market price of rice was 10 per cent above the official price.

With respect to demand, the money supply continued to increase during the first quarter of 1957 (as against a contraction in the same period of 1956), and its level at the end of March 1957 was one-third higher than a year before. The expansion was attributed both to the extraordinary improvement in the balance of payments and, to a smaller extent, to government deficit financing.

Since the second half of 1956, prices on the mainland of China have continued to rise for a variety of reasons, including over-investment, deficit financing of development and a shortfall in the production of industrial raw materials, especially raw cotton and oil-seeds. The Government permitted a free market in certain farm products which had been in short supply since 1 July 1956; this was followed by a policy statement by the Finance Minister on 22 September 1956, raising government procurement prices. In April 1957, the State Council announced an average rise of 2 per cent in the prices of consumer goods, affecting in particular pork, some edible oils, woollen textiles, high quality cigarettes and salt.

The year 1956 was one of accelerated investment by the Government in basic capital construction, which rose from 8.6 billion yuan in 1955 to 14 billion yuan in 1956, contributing to the emergence of a budget deficit of 1.8 billion yuan, or 5 per cent of total expenditures in 1956, and resulting in a shortage of producer goods like steel products, timber and cement. Moreover, increases in wages of government employees since 1 April 1956, and additional wage payments to an estimated new labour force of 2.3 million required to implement the development plan, have augmented wage payments by 2.7 billion yuan.

The rise in agricultural and industrial loans outstanding, from a billion yuan at the end of 1955 to 3 billion yuan at the end of 1956, resulted primarily from the government policy of encouraging the growth of agricultural co-operatives through which such loans were granted, partly for purchasing consumer goods but chiefly for buying the means of agricultural production. All these factors—increased capital investment, a higher wage bill and larger agricultural loans—were reported to have raised the total purchasing power of the country by 16 per cent in 1956, an amount which the available supply of commodities was unable to satisfy.

The 1957 budget, released 29 June, proposed to increase receipts by 2 per cent and reduce expenditures by 4 per cent, to achieve a budgetary balance. Investment in capital construction was to be cut drastically, by 20.6 per cent. The tempo of development was to slow down, and with it some stabilization in prices was expected in regard to producer goods. Consumer goods prices, on the other hand, continued to rise for items in short supply, like pork and edible oils; in the case of cotton cloth, the ration was halved for the period May to August 1957.

#### India

In the first quarter of 1957 wholesale prices and the cost of living in India rose 11 and 9 per cent, respectively, over the same period in 1956. All the component groups of both indexes rose; the greatest increases occurred in the case of food items (18 and 13 per cent, respectively). The

trend in wholesale prices continued upwards in the second quarter of 1957.

The money supply at the end of April 1957 was 6 per cent higher than a year before. It rose 6 per cent from January to April 1957, the same rate as in the corresponding period of 1956.

The rise in prices occurred despite the greater availability of agricultural commodities. Production of food and non-food crops was larger in the crop year 1956/57 than in 1955/56. Industrial production in the first quarter of 1957 also rose at a faster pace than a year earlier. In addition, there was a heavy import of food grains in the first quarter of 1957—771,000 tons compared with 80,000 tons in the first quarter of 1956.

The increase in demand came from heavy government deficit financing because of accelerated development expenditures, whose level during January to May 1957 was two-thirds higher than in the same period of 1956. The private sector also continued to be expansionary. Although bank credit to the private sector (adjusted for changes in private time deposits) did not rise very much between these two periods, the turnover of bank deposits increased significantly. Tightness in the money market was reflected in the fall in the cash-deposit ratio of scheduled banks and in the steep rise in the ratio of advances to deposits.

The external sector was contractionary, owing to continued heavy imports of capital goods and accelerated imports of food grains, which resulted in a large trade deficit and a deterioration in the balance of payments.

To stem the tide of rising food prices and other inflationary pressures, the Government undertook several measures. With respect to food, these measures consisted of opening fair-price shops, imposing zonal restrictions on the movement of food grains and enacting legislation to permit the Central Government to requisition stocks of food grains at price levels determined by the Government. Arrangements were also made for further imports of food grains.

In the monetary field, the Reserve Bank of India raised the bank rate from 3½ per cent to 4 per cent in May, following an increase of one-half per cent in February in the Bank's lending rate against approved securities. The policy of selective credit control, reinstituted in February for bank advances with respect to food grains, was further tightened in June; this policy was also extended to advances against sugar.

In the fiscal field, the accent in the 1957/58 budget was on increased taxation. New proposals for direct taxation included lowering the exemption limit for income taxes and a levy on expenditures and wealth. A much greater part of the increase in revenue was expected to come from additional indirect taxation, especially excise duties on various producer and consumer goods. Postal rates and railway fares were also raised.

#### Indonesia

Prices in Indonesia, which had declined appreciably during 1956, remained stable in the first quarter of 1957. There was an actual drop in the price of food, owing to greatly increased imports of food grains facilitated by external assistance. The level of the retail price index for eighteen food items in Djakarta in the first quarter of 1957 was 9 per cent lower than that for the corresponding quarter of 1956. The index of retail prices of rice in Djakarta declined by one-fifth between January and April 1957. The price index of imported textiles and other consumer goods rose, however, during the same period.

Highlights of the financial picture in the first quarter of 1957 were a continued decrease in foreign exchange reserves, increased advances of the Bank of Indonesia to the Government and a continued rise in the total money supply. The drop in gold and foreign exchange holdings and the increase in current liabilities brought the Bank of Indonesia's legal reserve ratio down from 21.9 per cent in December 1956 to 14.9 per cent at the end of the first quarter of 1957. The expansionary impulse of the government sector was reported to be the result of increased financial assistance to provinces outside Java, which had complained of insufficient funds from the Central Government. With continuing and increasing demands of the outer provinces for assistance, and the likelihood of decreased revenue on account of the lower collection of customs duties, it appeared likely that deficit financing might increase in subsequent months. In the private sector there was no marked change in the level of prepayment by importers during 1956 and early 1957; there was, however, an increase in domestic credit by commercial banks, despite lagging activity in foreign trade.

#### Japan

Price levels in Japan in the first five months of 1957 were generally higher than in the same period of 1956; the indexes of wholesale prices of producer goods rose 9 per cent, consumer goods 4 per cent and the cost of living 3 per cent, reflecting the expansionary impulse of the investment boom (1956/57) which followed the earlier export boom (1955/56).

During the first five months of 1957, the various price indexes exhibited diverse movements, however. The cost of living rose, owing, on the one hand, to the lower availability of foodstuffs (because of curtailed imports and a much smaller output of domestic food crops in the crop year 1956/57) and, on the other, to slowly but steadily rising levels of domestic consumer demand and expenditures. In the case of consumer goods other than foods, the price trend was generally downward because of slackened export demand.

In April 1957, the price index for capital goods was 15 per cent higher than a year before, reflecting the intensity of demand consequent on the boom in equipment investment after the third quarter of 1956. However, the rate of rise from January to April 1957 slackened considerably, owing partly to easing in the supply situation because of a heavy inflow of imports and partly to exemption of iron and steel products from import duties beginning 1 April 1957. It appeared that further price increases in producer goods might be arrested somewhat as a result of various monetary and import restriction designed to curb the excessive growth of investment in equipment.

The money supply rose 19 per cent during 1956, and gross national product at current prices was 13 per cent higher than in the previous year, the increase in real product being about 8 per cent. The money supply declined by 10 per cent during the first four months of 1957, compared with a drop of 6 per cent during the same period of 1956.

The expansionary impact of the boom in private investment was cushioned by a larger import surplus; the value of total imports in the first quarter of 1957 rose one-half over the value in the corresponding period of 1956, while the value of exports (including "special procurement") rose less than one-fifth. The government sector continued to exert a contractionary effect because of the restraint on government expenditure and the increased flow of revenue. The private sector exerted a marked expansionary effect on the money supply and incomes. Private investment activity



was financed both by internal funds (as a result of high profits in 1955 and 1956) and by increased recourse to bank credit. In the first quarter of 1957, bank credit to the private sector expanded considerably (and the turnover of current deposits also rose significantly), reflecting the rise in fixed investment activity and the higher level of import financing.

With a view to curbing excessive growth in investment based on bank-financed credit and thereby also lessening pressure on the balance of payments, the Bank of Japan raised its official discount rate twice, once in March 1957, by 0.365 per cent per annum, and again in May, by 0.73 per cent; in addition, better control over the volume of bank credit was sought by means of new legislation on bank reserve requirements, which became effective in May. In order to restrain credit expansion on account of import financing, the Government also took such measures as partially withdrawing foreign currency deposits of the Government from foreign exchange banks, shortening the term of sterling import usance from four months to three months and streamlining the foreign exchange budget for the first half of the fiscal year beginning April 1957.

#### Southern Korea

Prices in southern Korea continued to climb at an inflationary rate in the first five months of 1957, owing to a poor rice harvest (1956/57 crop year) for the second year in succession and a curtailed volume of imports of food and consumer goods. Average cost of living and wholesale price indexes were 47 and 40 per cent, respectively, above those in the corresponding period of 1956. The food component of the two indexes rose over 50 per cent in this period.

Although the rate of increase in money supply slackened in 1956 (35 per cent compared with a rise of 57 per cent in 1955) and again in the first quarter of 1957 (a decline of 3 per cent as against an increase of 1 per cent), deterioration in the supply situation once again brought inflationary pressure to the fore.

#### Pakistan

The cost of living continued to move upwards in both West Pakistan and East Pakistan in the first four months of 1957. The index for Karachi was 8 per cent higher than in the same period of 1956, the food component rising by 12 per cent. However, the index for Narayanganj was not much higher than in the same period of 1956, because of food rationing at controlled prices. Devaluation since July 1955 has raised the domestic price of consumer imports.

The money supply in May 1957 was 6 per cent higher than a year before; the rate of rise during the first five months of 1957 was only one-third of the rate in the corresponding period of 1956. In 1956 all three sectors—external, government and private—exerted an expansionary influence, but the effect, particularly of the external sector, was contractionary in the first five months of 1957, owing mainly to marked acceleration in imports.

Supplies rose because of a substantial increase in rice production in the crop year 1956/57 compared with 1955/56, and there was a continued flow of imports of foodstuffs, largely through foreign aid. However, the food situation in East Pakistan continued to show severe strain owing to the continuance of heavy speculative demand. To check the hoarding of paddy and rice, the Government fixed limits for paddy stocks of producers and restricted forward purchases of rice. In West Pakistan, although the strain was not so severe, the provincial government imposed zonal restrictions on the movement of food grains and took measures to set up procurement machinery for the coming crop.

Arrangements were also made for further imports of rice and wheat.

#### Philippines

Wholesale prices and the cost of living tended to decline in the Philippines during the first five months of 1957, although averages were still higher by 4 and 2 per cent, respectively, than the levels in the corresponding period of 1956. Wholesale price indexes for both food and manufactured items were 5 per cent higher.

The money supply in March 1957 was 13 per cent greater than in the preceding year. The rise of 14 per cent in the money supply in 1956 was associated with a gain in real gross national product of 9 per cent and an increase in the general level of prices of 3 per cent. The money supply during the first quarter of 1957 rose at a faster rate than during the corresponding quarter of 1956. The external sector was contractionary, owing to a greatly increased volume of imports; however, continued government deficit financing on account of rising economic and social development expenditures, and a substantial increase (compared with a contraction in the same period of the previous year) in bank credit to the private sector to finance a greater volume of imports and sustain rising private investment activity, combined to exert a net expansionary effect.

Imports were 29 per cent higher in volume in the first quarter of 1957 than in the first quarter of 1956. Domestic rice production in 1956/57 rose as much as in 1955/56.

#### Thailand

The wholesale price index for Thailand tended to decline after the fourth quarter of 1956, but rose again in the second quarter of 1957. As a result, the average level in the first half of 1957 was lower than in the same period of 1956. Wholesale prices of agricultural produce and foodstuffs tended to fall, mainly because of a continued decline in rice prices in international markets, while prices of metals and construction materials tended to move upwards, owing largely to increased demand and a rise in import prices. The cost of living index, which rose throughout 1956, continued to climb in the first half of 1957.

Despite lower export prices of rice and only a modest gain in rice production in the crop year 1956/57 (4 per cent, compared with over 30 per cent in 1955/56), the volume of rice exports was 50 per cent higher during the first quarter of 1957 than in the first quarter of 1956, through reduction of stocks. The retail price of rice in Bangkok was 3 per cent higher during the first four months of 1957 than in the corresponding period of 1956. In contrast, the rise in imports slackened somewhat, owing to overstocking in previous quarters.

#### Southern Viet-Nam

From January to May 1957, the cost of living in southern Viet-Nam (Saigon) and wholesale prices (Saigon and Cholon) were 3 and 8 per cent, respectively, below their levels in the corresponding period of 1957. The food component of the cost of living index and the domestic component of the wholesale price index declined significantly, owing largely to weakening in the export prices of rice following increased rice production in the crop year 1956/57.

The domestic supply situation also eased because of a continued flow of aid-financed imports. The money supply in March 1957 was 16 per cent higher than a year before, reflecting a gain in domestic production, restoration of rice exports and increased rubber exports, and a rising level of government expenditures.

## JAPAN'S TEXTILE MACHINERY EXPORTS

Growing competition from Communist China and East Germany is making it difficult for the Japanese textile machinery industry to boost its exports. Another reason the export trade in this line is not expanding lies in the stiff terms being presented by buyers. The textile machinery industry faces the need to promote exports because of the poor demand on the domestic market, which has dropped because of the restrictions placed on the textile industry. Textile machinery manufacturers are thus asking the Government to work out fundamental measures to assist the industry in the promotion of their products.

Spinning (cotton and wool) and cloth weaving machines account for a large percentage of Japanese textile machinery. In terms of production, the figure for the former is 43.6 per cent of total output and the latter 13 per cent (based on production records for 1956). Exports also show that the former accounts for 39.8 per cent and the latter 14.8 per cent, as based on 1956 export returns.

It is only natural that Japanese textile machinery manufacturers should be affected by the ups and downs in the domestic textile industry, but the fluctuations are of a deplorably violent nature not to be seen in any other industrial category. For example, the government restrictions on the textile machinery industry in 1954 and another ordinance titled "Special Measures Concerning Facilities for the Textile Industry" have put much pressure upon installment of additional machines. Whenever such a step is taken for the purpose of reducing excessive facilities and stabilizing the textile industry, the textile machinery makers are forced to endure heavy sacrifices, for they must always act in accordance with the convenience of the textile industry. The machinery makers therefore—which cannot depend on domestic demand alone—strive to increase its exports. This situation has remained unchanged since before and after the war, a fact which accounts for this industry having a relatively good export record as compared with other industries. At the same time it should be noted that the textile machinery industry is comprised of many small and medium-sized enterprises, a fact which accounts for the instability in domestic demand.

The previously mentioned "Special Measures Concerning Facilities for the Textile Industry" enforced last year brought about a temporary rush of orders to the textile machinery industry, mainly from spinning companies. It resulted in a prosperity not seen in a number of years, but these orders were of a temporary nature which lasted only until registration of facilities had been confirmed. Any hope of receiving more orders thereafter was entirely out of the question and the industry was confronted by depression. Fortunately, however, it was supported by orders from the synthetic fiber industry.

Japan's foreign exchange situation rapidly deteriorated and the strengthening of the tight money policy—which accompanied the deteriorating financial situation—shook this country's economic circles to its foundations. The textile machinery industry was no exception. Textile makers who had previously placed orders requested postponement in production because of a change in plans. The result was that the prosperity was short-lived since production could not be undertaken in many cases. Since the only way to tide over this difficulty would be to promote exports, the textile machinery manufacturers are

making great efforts in this direction. Because of the priority given to domestic orders, especially from synthetic fiber makers, in the past, they will not find it easy to overcome the current depression resulting from the sudden tightening of money. A vacuum will necessarily develop over a certain period and the difficulties will increase. The above applies chiefly to spinning and cloth weaving machines, but the tight money measures have also affected other types of textile machinery in the same way.

The textile machinery industry, which can no longer rely on domestic demand, is thus striving to promote exports, but orders from its largest customer, Pakistan, dwindled last year to only 0.05 per cent of the total export value. This was due to the fact that Pakistan has finally obtained sufficient equipment for the time being. From 1950-1955 Pakistan ranked first, accounting for an annual average of 30 per cent, or at times 50 per cent, of the Japanese textile machinery industry's entire foreign sales. The drop of more than ¥600 million in value of exports was a serious blow to the industry. Contract terms are usually disadvantageous to Japanese manufacturers since principal export destinations are those less-developed nations of Southeast Asia whose economic foundations are weak. Because orders must be accepted on the understanding of deferred payments, machinery makers experience difficulty with operating funds and must look to the Export-Import Bank and commercial banks for loans. Buyers in Southeast Asian countries, moreover, engage in much bargaining to lower prices in anticipation of competition between Japanese trading firms and makers. It is not a simple task to boost exports with all these unfavourable conditions.

The announcement of India's Five Year Plan last year brought considerable hope to Japanese textile machinery circles, but the terms India put forward at that time were too harsh for Japan to accept. Last year Japanese machinery makers refused to consider Indian terms since they were enjoying a limited period of prosperity as a result of a boom in domestic orders. Lately, however, they have been re-studying those terms and have been negotiating with the Indian side to put things on a more cooperative basis by making mutual concessions. This being only the second year of India's Five Year Plan, contracts of a substantial nature will probably come in the future. Considering the fact that India last year recovered its top position of 1949 as the foremost importer of Japanese textile machinery, Japan's expectations will most likely be fulfilled to a certain extent.

There is little room for optimism, however, as it is reported that Japan's lukewarm attitude and the aggressive drives to East Germany and other Communist countries have stimulated Indian circles into concluding some contracts with them. No other market of significance exist in Southeast Asia but recently many inquiries have been received from the countries of the Near and Middle East (Iran, Syria and Turkey), Africa (Uguypt) and Central and South America (Brazil). Many machines have been exported to Brazil in the past. Considerable results can be achieved depending on Japan's efforts, but it is clear that the supplier nations will make a wild scramble for world markets in view of the global decline in demand. Japan must be prepared for stiff competition. The Japanese textile machinery industry can no longer ignore Communist China.



## ECONOMIC LETTER FROM MANILA

The U.S. has invited the Philippines to participate in the \$300,000,000 U.S. development fund for new nations. \$10,000,000 in American assistance to the Philippines already has been approved for the current fiscal year and other projects are under consideration.

The \$21,000,000 Work Bank loan to the Philippines for the Binga hydroelectric project will be shared by two private American banks. The Bank of America and the Chase Manhattan Bank are participating in the loan, without the World Bank's guarantee, to the extent of \$987,000. This amount, which represents the first four maturities of the loan falling due from December 1960 through June 1962, will be equally divided between the two participating banks.

The National Marketing Corporation will reduce its 1958 imports of canned milk by an amount corresponding to the increase in local production of evaporated filled milk. The new Philippine plants of Darigold and General Milk will this year supply 3,100,000 cases of evaporated filled milk, and a third company, Milk Industries, Inc., has scheduled production of 1,550,000 cases. This could conceivably mean almost complete cancellation of imports, since the country's annual requirement for canned evaporated milk has been estimated at 3,000,000 cases.

Operation of the first sugar cane vinegar plant in Pampanga was announced by its owner, Gov. Rafael Lazatin. He said the plant could supply the requirements not only of his province but also of Tarlac, Pangasinan and Manila. Machinery for the plant was purchased in Germany. Raw material is supplied by the province's two large sugar centrals—Pampanga Sugar Mills and Pampanga Sugar Development Co.

In calling for a monthly cut of \$10,000,000 in Philippine imports, Mr. Alfonso Calalang called upon the people to be willing to "forego many of the comforts and conveniences of modern living." The head of the Philippine Bankers Association stated that what the country must undertake is "systematic, as against haphazard, industrialization," and that this is not as simple and easy as some may conceive it to be. It involves, he said: 1. A progressive and thorough transformation of the economy. 2. Cooperation, coordination and integration both in the promulgation of policy and in the making of decisions. 3. Tightening of government reins on both producers and consumers. 4. Reconciliation of the country's desire for rapid economic growth with the need to maintain internal and external balance. The banker called for more advanced mechanization and more labor and time saving devices, the development of new end products, new ways to raise capital within the country, and greater domestic production of the basic necessities of life. Mr. Calalang's proposal for a cut in imports was endorsed by the Producers and Exporters Association of the Philippines, whose president, Gaudencio E. Antonino, suggested that the cuts be applied to non-essentials—"flashy cars and TV"—and not to the essential needs of the people.

Further deterioration of the balance-of-payments position and rising prices were the principal features of the Philippine economy last August. The loss of international reserves continued largely as a result of the inflated level of imports. Export earnings were off only slightly. Living costs rose seasonally but much more rapidly than normal. Wholesale prices were up sharply and further rises in the cost of living were in prospect. In the face of the continued drain on international reserves and rising prices, the Administration adopted a number of measures to help remedy the situation. Meanwhile, crop estimates suggest that agricultural prospects during the current crop year are less promising than a year ago. Some quarters

attribute the continued weakening of the Philippine balance of payments primarily to operation of the No-Dollar Import Law and secondarily to deterioration of the Philippine terms of trade. While the first reason is clearly a factor in the decline of reserves, it is believed its importance has been over-emphasized. During the first half of 1957 merchandise imports were valued at 615.9 million pesos, up 130 million pesos or 27 percent, over the like period in 1955. Of this 130-million-peso gain, the increase in barter imports over last year was under 20 million pesos. However, barter exports of products which could easily be sold for dollars—such as copra, sawlogs, sugar, and minerals—the proceeds from which are not added to the international reserves—definitely contributed to the reserve decline. Foreign exchange receipts have been maintained at or about postwar record levels. During the first half of 1957 total foreign exchange earnings from both merchandise exports and invisibles came to \$321 million, as compared with \$315.7 million for the first 6 months of 1956. Philippine price data, moreover, fails to support the second argument. Central Bank price data shows no deterioration in trade terms of the Philippines for the first half of the year. Export prices actually moved up slightly relative to import prices. Thus the decline in international reserves can be mainly ascribed to the large increase in the physical volume of imports.

The Philippines continues at a big disadvantage in its trade with Hongkong. During September the Philippines bought textile yarns, fabrics and ready-made goods from the Crown Colony in the amount of HK\$2,213,707 and exported to Hongkong textile fibers valued at HK\$145,188. The other big import items from Hongkong are medicines and pharmaceutical products, HK\$1,308,138; fruits and vegetables, HK\$161,568; transport equipment, HK\$626,121; and furniture HK\$237,810. On the other hand, Philippine exports to Hongkong included manufactured metals, HK\$24,059; tobacco, HK\$19,551; manufactured rubber, HK\$3,800; paper, HK\$6,394; and live animals, HK\$1,635.

Official trade figures are misleading as large-scale smuggling of goods purchased in Hongkong with free market pesos or their exchange equivalent is being carried on. Imports from Hongkong into the Philippines, including commodities carried by so-called tourists from Manila and other places in the Philippines, are very much in excess of what the official trade returns of Hongkong disclose. There is additionally smuggling of goods bought in Hongkong but transported in the first place to Borneo, via southern Philippine and Visayan ports into Manila. The weakness of the peso is to some considerable degree due to the rampant smuggling of merchandise, including diamonds and jewelry, from Hongkong into the Philippines. Filipinos are largely to be blamed for this deterioration as they continue to finance and actually participate in this illicit business in which otherwise the Chinese, both in Hongkong and in Manila, have a great stake. Unless this sort of trade is curbed, the weakness of the free market peso cannot be expected to undergo a change for the better. Hongkong has become, in the eyes of the Philippine public, synonymous with world-wide smuggling.

A new mining and processing firm for gold and other minerals, to be known as Dawahan Mining Co., Inc., has been set up by the same group of investors who established two other new corporations a few weeks ago—Philippine Industrial Explosives Co. and Pan Asian and Iron Mills. The group includes Emerito Ramos, Emerito Ramos, Jr. Horacio de la Rama, Rodolfo Ledesma, Jr., Filomena R. Ledesma, Rafael O. Jose, Dominador Bernardo, Manuel M. Ramos, Felicitio R.

## FAR EASTERN NOTES AND NEWS

### Agreements and Arrangements

Under trade arrangements between **Australia** and **Japan** concluded in July 1957, Australia has agreed to give Japan most favoured nation tariff treatment, while Japan has agreed: (a) to continue permitting Australian raw wool to be imported duty free for at least the next three years; (b) to guarantee the import of at least 200,000 tons of Australian wheat during the first year and try to import more every year thereafter; and (c) to give Australia equal opportunities to compete with other countries in supplying Japan with sugar, skimmed milk powder, tallow and cow-hides. The agreement is valid up to 5 July 1960 and will remain in force thereafter, unless notice of termination is given by either government.

Agreements have been concluded in May 1957 by the **Union of Burma** with mainland **China** and **Yugoslavia** for the sale of rice to these two countries. The agreements involve the shipment of 30,000 tons of Burmese rice valued at £1.23 million to Yugoslavia and 50,000 tons valued at £1.65 million to mainland China.

An economic co-operation agreement between **Burma** and **Israel** was ratified on 11 June 1957 by the two governments. The agreement provides for the setting up of joint ventures in industrial construction and agricultural development projects and the financing and management of these projects. Among the enterprises to be established are rubber tyre, ceramic and glassware, and paint and varnish factories. A joint construction corporation to engage in building construction and other public works, including the manufacture of building materials, will also be set up. Facilities are also to be made for the training of Burmese nationals in Israel in the fields of research and industry and for the exchange of scientific and industrial research information between the two countries.

A loan agreement between the Governments of the **Republic of China** and the **United States** provides for a credit of US\$20 million to be made available for economic development in Taiwan for the fiscal year 1957-1958 (1 July 1957 to 30 June 1958). The loan is to be extended in the form of agricultural products from the United States, which will be sold and the proceeds utilized in developing industry,

**Calimlim** and **Alfredo R. de la Merced**. The new mining firm, in which **Emerito Ramos** is majority stockholder and **Josefa de la Rama** has been named treasurer, has a subscribed capital of P500,000, of which P250,000 has been paid up.

The presiding officer of the **National Economic Council** has been instructed to prepare amended legislation to cover operation of the government's nickel deposits in **Surigao**. **Pres. Garcia** told **Eduardo Z. Romualdez** to draw up amendments that would protect the interests of the government in the valuable mineral deposits but at the same time be sufficiently attractive to induce a private bidder, possibly a large foreign corporation, to undertake exploitation of the ores.

Trading in shares of **Riverside Manufacturing Corp.** began Nov. 29 on the floor of the **Manila stock exchange**. It was the first textile stock to be listed on the big board of the exchange. Approved by the **Securities and Exchange Commission** for listing were 400,000 common shares of the company's capital stock with a par value of P10 each. Trading went into effect as to 339,094 fully paid-up shares, and on the balance of 60,906 shares upon full payment and issuance of stock certificates. Buyers offered P13.75 and sellers asked P14.50. The firm is engaged in the manufacture of textiles from raw cotton to finished fabrics through the various stages of spinning, weaving, bleaching, dyeing, printing and finishing. It has a paid-in capital of P4,007,652.50 and a capital and earned surplus of P893,584.45.

agriculture and education in Taiwan. The loan is to be paid back over a period of forty years. It is the third loan agreement of its kind concluded between the two countries since 1955.

The present trade agreement between the Governments of the **Republic of China** and **France**, which was concluded on 12 May 1954, has been extended to another year. It calls for an annual volume of trade of US\$20 million both ways.

A technical assistance agreement between **India** and **Finland** was concluded, under which two Finnish experts will be sent to India to survey areas and study the possibilities of setting up forest industries and the supply of raw material. Finland will also grant four fellowships for Indian nationals to study forestry in Finland for a period of one year. Special payments procedures have been arranged between **India** and the **Democratic Republic of Germany**, whereby the **Deutsche Notenbank** of eastern Germany will open a special account with the **State Bank of India**, to be known as the **Special Trade Development Account** of the **German Democratic Republic**. The rupee proceeds of contracts for the import of machinery and industrial raw materials from eastern Germany concluded with or through the **State Trading Corporation of India** will be credited to this account. Contracts are to be settled on deferred payment terms and the rupee balances are to be used only for the payment of exports to eastern Germany from India of certain commodities.

The validity of the trade agreement, which was concluded on 1 December 1956 between **Indonesia** and **Sweden**, has been extended to 31 May 1958. Exports from **Indonesia** to **Sweden** include coffee, tea, copra, pepper and other spices, kapok, gums and resins, rattan, tobacco, rubber, tin, hides and skins, sugar and other products. Imports into **Indonesia** from **Sweden** include building materials, chemicals, machinery of various kinds, equipment for transport, hospitals, and other industries, iron and steel, textiles and other manufactures.

A new financial agreement concluded by and between **Japan** and the **Netherlands** calls for the settlement of trade accounts in transferable pound sterling or guilders in lieu of the open-account trade formula. Japan has added guilders to the list of currencies designated for the settlement of overseas trade accounts. The validity of the trade arrangement between **Japan** and **Sweden** has been extended for another year, ending on 31 March 1958. Under the agreement imports from Sweden are accorded by Japan the same treatment as those from the sterling area and imports into Sweden from Japan are given, in principle, the same treatment as those from **OEEC** countries.

Convention on double taxation on income was concluded between **Pakistan** and the **United States**. The agreement provides protection for businessmen of both countries against double taxation with respect to income. In **Pakistan** the convention is applicable to income tax, super-tax and business profit tax, while in the **United States**, to the Federal income tax, including surtaxes.

An agreement between the **Philippines** and the **United States** covering the sale of US\$10 million worth of **US agricultural surpluses** provides for the peso proceeds resulting from the sale of rice, cotton, dairy, and meat products and other American agricultural products to be allocated as follows: (a) US\$5 million to be loaned to the Government of the Philippines for economic development; (b) US\$2 million for defence purposes and (c) US\$3 million for international educational exchange and expenditures of the **US Government** in the Philippines.

### Trade Trends

**Taiwan** had a favourable trade balance of US\$35.336 million in the first six months of 1957. Total exports



amounted to US\$97 million and imports, US\$61.7 million, or an increase of US\$27.2 million in exports and US\$538,449 in imports, respectively, compared with the corresponding period in 1956. Exports from Japan during the January-June 1957 period amounted to US\$1,316 million and imports, US\$1,834 million. Compared with the same period in 1956 imports recorded an increase of 67 per cent and exports, 12 per cent. The government estimated that for fiscal year 1957 (1 April 1957 through 31 March 1958) a deficit in its international account of US\$560 million would be reached and that the monthly export figure would be approximately US\$240 million.

#### Trade & Exchange Controls

Taiwan relaxed the regulations on the use of foreign exchange certificates. Exporters are able to sell these certificates upon receipt and do not have to wait for as long as two months as heretofore. These certificates are valid for an indefinite period instead of only for four months. Under the present system exporters receive part payment in official currency and part payment in foreign exchange certificates for each United States dollar earned from the export of their products. The certificates are resold to the official government bank or on the open market to importers in order to enable the latter to import goods into Taiwan.

India announced that the half yearly import control licensing will be placed on the fiscal year basis—that is, on 1 October for the period from October to 31 March and on 1 April for the period from April to 30 September, instead of on 1 January and 1 June. Import licences for capital goods will continue to be issued on suitable deferred payment terms and for those projects which save or earn foreign exchange either by reducing imports or by increasing exports. Special emphasis will be given to the import requirements of export industries.

Indonesia announced new export, import and foreign exchange regulations. Export certificates will be issued to exporters which entitle them to the foreign exchange earned by their exports. These certificates are valid for two months and can be sold to importers or those who want to transfer money abroad for services, interest on capital or other invisible earnings, provided the purchasers are in possession of a foreign exchange permit issued by the government. Exporters who sell their export certificates are required to pay export duties to the government equivalent to 20 per cent of the sale price.

In order to check the depletion of its foreign exchange holdings, the Government of Japan adopted various retrenchment measures, namely, withdrawal from foreign exchange banks of foreign currencies deposited by the government, shortening of the term of pound sterling usance and limiting of commodities to which this system applied, increasing the guarantee money to be deposited for imports and other restrictive measures. Emergency measures included: (1) Reduction of non-essential projects and postponement of important industrial programmes dependent on government investments and loans; (2) adjustments in the commencement period of public works projects; (3) reduction of advances by the Bank of Japan as far as possible; (4) creation of a fund of 15,000 million yen to be made available for loans to medium and small enterprises to prevent unfavourable effects on these enterprises of the financial retrenchment; (5) increase in interest rates on public bonds, debentures and time deposits; (6) restrictions on construction of buildings and non-essential enterprises and postponement of private investments in equipment; (7) initiation of a national movement to encourage savings; (8) restriction of imports through increase of guarantee deposits and at the same time, relaxation of credit and special measures relating to taxation and so forth in order to promote export trade.

Pakistan announced its import policy for the second half of 1957. Two-hundred and fourteen items are now on the licensable list for the July-December shipping period, as against 193 in the previous period. The import of essential items required by industrial consumers would be per-

mitted, although they are not on the list. The procedure of issuing licences has not been changed.

The Foreign Trade Department, Ministry of Economic Affairs of the Government of Thailand, announced that traders who purchase cotton yarn from designated local factories can import an equal quantity of cotton yarn from abroad. Documents of local purchases must be presented before import permits are granted. The measure aims to promote the domestic cotton yarn industry.

The Government of Viet-Nam relaxed the control on the textile trade of the country. However, distributors are still required to submit to the government reports on their stocks, sales, wholesale and retail prices and other details.

#### Development Plans

Ceylon decided to expand and develop the tile industry in the country in order to meet domestic requirements. As a first step, the Ministry of Industries will explore the possibility of setting up manufacturing plants in the various provinces by private enterprises by offering to invest half of the initial capital required and providing necessary technical assistance. If the response from this sector is not sufficient, the government plans to establish its own plants. The estimated cost of one unit with an annual capacity of one million tiles is Rs 100,000. Factories will initially be set up in Kandy and Galle. Ceylon imports 19.5 million flat tiles from India each year and local production is estimated at 11.8 million annually, whereas the domestic requirement per year is estimated at 34 million.

Federation of Malaya set up four committees to advise it on industrial and land development, tariff and protective measures. A section for industrial development will be set up in the Ministry of Commerce and Industry and an expert from Canada has been recruited to set up this section. A survey mission from the International Bank for Reconstruction and Development will remain in Thailand for one year to assist the Government of Thailand in formulating a long-term programme for the country. The group works closely with Thai experts and is expected to formulate recommendations relating to the various sectors of the economy of the country.

With technical assistance from Japan, a rolling mill is being set up near Saigon, in southern Viet-Nam for the manufacture of metallic building materials and other related products. The production is estimated at 600 tons per month. This is one of the private enterprises which the government is encouraging to be established in the country.

#### Investments & Aid

Ceylon set aside Rs 62 million to finance major projects for this year which include sugar (Rs 21.5 million), textiles (Rs 6 million), ilmenite (Rs 8 million), salt and by-products (Rs 10 million). The balance of the allocation will be used for preliminary surveys in connexion with the proposed establishment of a fertilizer factory, a third sugar factory, and other projects. Loans totalling Rs 19.5 million have been granted by the National Industrial Development Corporation of India for the purchase of new machinery for the rehabilitation and modernization of six mills in the country. Of the new machinery to be installed, Indian manufacturers are supplying a major portion. The corporation is also studying applications for loans from thirty other textile mills and fourteen jute mills.

Japan offered the services of teachers to teach the Japanese language to Colombo Plan trainees proceeding to Japan. Language difficulties have been a handicap for trainees going abroad and the Colombo Plan Consultative Committee has drawn the attention of member governments to the lack of knowledge of the language of the country where trainees are sent.

A loan of US\$25 million has been concluded between Viet-Nam and the Import-Export Bank of the United States for the economic development of southern Viet-Nam. The loan is for a period of forty years at 4 per cent interest

(Continued on Page 64)

# FINANCE & COMMERCE

## NEW YORK STOCK EXCHANGE

There now is worldwide recognition, if not fear of the consequences, of the deterioration in the American economic position and the continuing downward trend of commodity prices. This is the most obvious conclusion that arises from a study of the New Year and year-end pronouncements from many world capitals. Washington reports that new unemployment compensation claims filed in the week ending 28 December totalled 550,595, the most ever filed in a single week. Official figures for December unemployment in the United States have not been released at this writing, but it is estimated that the total will approach 4 million.

Thus far, the feeble flexing of the fiscal and economic muscles of the administration has produced some results. There has been a reduction in the Federal Reserve rediscount rate. A record peacetime (?) budget has been proposed. Morale boosting pronouncements are emanating in volume from the obvious sources. However, the widely publicized acceptance of short term Treasury offerings at declining yields proves nothing at present. It remains to be seen what other governmental measures, if any, will be promptly forthcoming to combat the now officially designated "recession."

When the Dow-Jones average of industrial stocks made

its 1957 low of 419.79 on 22 October, the rails closed at 107.31. It was only on 18 December that the rail average made its 1957 low of 95.96—some two months later. In the following two weeks, the two averages can be said to have moved "in gear." Continuation of this "in gear" movement, with the rails closing at 110 or better, would set the stage for a valid test of the 1957 lows. If either average should break its 1957 low before completing such a movement or, having completed such a rally, fail to make new highs after a test of the lows, any anticipated reversal of market trend may be considered to be indefinitely postponed.

During the past ten weeks trading volume has given very little clue to the longer term balance between buying and selling. There has been no significant evidence of the formation of a base; likewise, there has been no significant evidence of covering from intelligently assumed short positions. For those interested in historical parallels, the action of the New York Stock Exchange for more than two years after making its highs in March, 1937 should be worth remembering. The fiscal policy of that era was nothing if not inflationary.

— Charles H. Barber

## HK EXCHANGE MARKETS

U.S.\$					
Date	T.T. High	T.T. Low	Notes High	Notes Low	
30/12/57	587½	587	585½	585½	
31/12/57	587½	587½	585½	584½	
1/1/58		Holiday			
2/1/58	587½	587¼	585½	585½	
3/1/58	587½	586¾	585½	584½	
4/1/58	587½	587	585½	585½	
D.D. rates High 585½ Low 585½					

Highest and lowest rates in December 1957 were: T.T. 588/584½; Notes 587/581½.

Highest and lowest during 1957 were: T.T. 631½ in May and 582 in November; Notes 630½ in May and 579½ in November.

Last week's trading totals: T.T. US\$ 3,520,000; Notes cash \$375,000, forward \$1,680,000; D.D. \$310,000. The market was very quiet. In the T.T. sector, offers from Japan, Korea, and the Philippines were absorbed by general and gold importers. In the Notes market, demand from China for cash reduced. Interest for change-over favoured sellers and aggregated HK\$4.00 per US\$1,000. Speculative positions averaged US\$1½ million per day. In the D.D. sector, business was improving.

**Far Eastern Exchange:** Highest and lowest rates per foreign currency unit in HK\$: Philippines 1.715—1.70, Japan 0.0143—0.01425, Malaya 1.876—1.873, South Vietnam 0.06802—0.06711, Laos 0.064, Cambodia 0.083—0.082, Thailand 0.2777—0.277, Indonesia 0.135—0.133. Sales: Pesos 290,000, Yen 71 million, Malayan \$ 260,000, Piastre 6 million, Kip 3 million, Rial 3 million, and Rupiahs 300,000.

## Agreed Merchant T.T. rates:

Selling and buying per foreign currency unit in HK\$: England 16.2025—16.1006, Australia 13.0169—12.7575, New Zealand 16.2025—15.8678, United States 5.7971—5.7143, Canada 5.9041—5.8182, India 1.2158—1.2048, Ceylon 1.2195—1.2075, Burma 1.2158—1.2048, Pakistan 1.2176—1.2039, Malaya 1.8868—1.8692. Selling per foreign currency unit in HK\$: South Africa 16.237, Switzerland 1.3267, Belgium 0.1164, West Germany 1.3829.

**Chinese Exchange:** People's Yuan unchanged at 6.839 per Pound Sterling, 0.427 per HK\$, 0.805 per Malayan \$, 0.514 per Indian or Pakistan Rupee, 0.585 per Swiss Franc, and 2.345 per US\$; cash notes quoted \$1.55—1.22 per Yuan. Taiwan Dollar remained at 15.65—15.55 per US\$ and 2.74—2.72 per HK\$; cash notes quoted \$0.1415—0.14 per Dollar, and remittances 0.143—0.1415.

**Bank Notes:** Highest and lowest rates per foreign currency unit in HK\$: England 15.47—15.43, Australia 12.67—12.63, New Zealand 14.10, Egypt 10.50—9.80, East Africa 14.50, South Africa 15.45—15.44, West Africa 13.50, Jamaica 13.50, Gibraltar 13.50, Malta 12.50, Cyprus 12.50, Fiji 10.00, India 1.1746—1.1745, Pakistan 0.80, Ceylon 0.92, Burma 0.55, Malaya 1.83—1.831, Canada 5.90—5.8775, Cuba 5.00, Argentina 0.12, Brazil 0.06, Peru 0.26, Mexico 0.43, Philippines 1.71—1.70, Switzerland 1.345, West Germany 1.36—1.35, Italy 0.0091, Belgium 0.105, Sweden 1.02, Norway 0.72, Denmark 0.77, Netherlands 1.45, France 0.0119—0.0115, South Vietnam 0.067—0.066, Laos 0.064, Cambodia 0.084—0.081, New Guinea 1.00, Indonesia 0.135—0.13, Thailand 0.2845—0.28, Macau 1.00, Japan 0.01435—0.0142.

## Gold Market

Date	High .945	Low .945	Macao .99
20/12/57	256½	256	Low 266½
31/12/57	256½	256½	
1/1/58		Holiday	
2/1/58	256½	256½	266½ High
3/1/58	256½	256½	
4/1/58	256	256½	

Opening and closing prices were 256½/256½; highest and lowest 256½/256.

Highest and lowest in December 1957 were 256½/254½.

Highest and lowest during 1957 were 270½ in May and 253½ in November.

The market last week was very quiet. Interest favoured sellers and aggregated \$1.30 per 10 taels of .945 fine. Tradings averaged 4,600 taels per day and totalled 23,000 taels for the week, in which 9,930 taels were cash dealings (2,830 taels listed and 7,100 taels arranged). Positions taken by speculators averaged 11,500 taels per day. Imports from Macao amounted to 9,000 taels. One shipment of 48,000 fine ounces reached Macao last week. Exports amounted to 11,000 taels (8,000 taels of Singapore, 2,000 taels to Indonesia, 500 taels to South Vietnam, and 500 taels to South Korea). Differences paid for local and Macao .99 fine were \$12.70—12.50 and 11.70—11.60 respectively per tael of .945 fine. Cross rates were US\$37.86—37.85 per fine ounce; 24,000 fine ounces were contracted at 37.85 cif Macao. US double eagle old and new coins quoted at \$262 and \$228 respectively per coin, English Sovereigns \$59 per coin, and Mexican gold coins \$274 per coin. **Silver Market:** 400 taels of bar silver traded at \$5.70 per tael and 300 dollar coins at \$3.65 per coin. Twenty-cent silver coins quoted \$2.80 per five



coins. Market was dull because exports slow.

**Money Market:** Market continued tight but condition not very serious. The market may become more tight during the next forty five days before the Lunar New Year but local businessmen and financiers seem well prepared this year; most firms will have no difficulty in closing their accounts

## HK SHARE MARKET

Last week's market was reasonably active. Turnovers were: Monday \$422,000; Tuesday \$317,000; Wednesday (New Year Holiday); Thursday \$334,000; Friday \$479,000. With the exception of Cements which lost 40c during the week, most prices were firm. Interest was particularly keen on Utilities. An encouraging feature last week was the return of big investors who absorbed large parcels of various popular shares. Buying offers in most cases were raised but sellers wanted better prices towards week-end. The market closed firm.

U. Waterboat, 20 nom.

Asia Nav., 1.275 b.

Wheelock, 6½ b; 6.60 s; 6.55 sa.

### Docks, Wharves & Godowns

H.K. & K. Wharf, 120 b.

Sh. Hongkew Wharf, 1.20 nom.

H.K. Dock, 40½ sa.

China Provident, 11.80 b; 11.90 s.

China Provident (Partly Pd.), 5.85 nom.

S'hai Dockyards, 1 nom.

### Mining

Raub Mines, 2½ nom.

H.K. Mines, 2c. nom.

### Lands, Hotels & Bldgs.

H. & S. Hotels, 14.90 b; 15.20 s.

H.K. Land, 32½ b; 33 s; 33½ sa.

A/Fr. Land, 35c. nom.

S'hai Land, 72c nom.

Humphreys, 15.60 b.

H.K. Realty, 1.35 b.

Chinese Estates, 270 nom.

### Public Utilities

H.K. Tramways, 23 b; 23.40 s; 23 sa.

Peak Trams (F. Pd.), 72 nom.

Peak Trams (Partly Pd.), 38 nom.

Star Ferry, 124 b.

Yau-mat Ferry, 96 b; 97 s.

China Light, 17.10 b; 17.20 s; 17.20 sa.

H.K. Electric, 27.10 b; 27.20/30 sa.

Macao Electric, 10.80 s.

Sandakan Light, 8½ nom.

H.K. Telephone, 26.30 b; 26.70 s; 26.20 sa.

Shanghai Gas, 1 nom.

### Cottons

Ewo, 85c. nom.

Textile Corp., 4.475 b; 4.55 sa.

Nanyang Mill, 8½ b.

### Rubber Companies

Amalgamated Rubber, 1.325 b; 1.35 s; 1.325 sa.

Ayer Tawah, 1.975 nom.

Java-Consolidated Estates, 24c. nom.

Langkat, 1¼ b.

Rubber Trust, 1¼ b; 1.30 s.

Shanghai Kelantan, 75c. b.

Shanghai Sumatra, 2.60 nom.

Sungala Ex. Div., 1.40 b.

## HONGKONG STOCK EXCHANGE IN DECEMBER

The market continued inactive during December and with a few exceptions, no appreciable change in rates was reported. In the absence of any selling pressure, prices were fairly well maintained. While investors were disinclined to increase their commitments buyers entered the market when prices were lowered to attractive levels.

**Banks and Insurance:** Trading was light, prices fairly steady in the case of Hongkong Banks and Unions. Buyers raised bids for Hongkong Banks fractionally towards the close. **Investment Companies:** Hongkong & Far Eastern registered slight gains in an inactive market. **Shipping:** Wheelocks led a dull market in this group with prices inclined to ease. **Docks & Wharves:** Both Kowloon Wharf and China Provident shares showed gains over previous month's closing. Buyers raised their bids for Kowloon Wharf shares without attracting sellers. Trading in Hongkong Docks was restricted. **Lands & Hotels:** Rates in this section were lower without, however, attracting buyers. **Public Utilities:** Yau-mat Ferry shares were fairly active at slightly increased rates but less activity was reported in other shares in this group with rates fractionally lower. **Industrials:** Dullness prevailed in this section of the market with Green Island Cement shares registering gains. **Stores:** A falling off in volume and lower rates were noted in this group with the exception of Lane Crawford's which registered a gain. **Miscellaneous:** Business was negligible. **Cottons:** A slight increase in volume of Nanyangs was reported in a quiet market. **Rubbers:** Greater activity was displayed in this group; share prices were influenced by the price of raw rubber.

Dividend announcements were made by Amoy Canning Corporation (H.K.) Ltd., Nanyang Cotton Mill Ltd., Ayer Tawah Rubber Plantation Co., Ltd., Java Consolidated Estates Ltd. and Sungala Rubber Estate Ltd.

Business during the month: \$6,606,888. Business in 1956: \$211,002,275. Business in 1957: \$147,621,871. Business in December 1956: \$11,657,662.

### BUSINESS DURING DECEMBER

H.K. Bank	Qty. of Shares
Bank of East Asia	546
Lombard Insurance	74
Union Insurance	598
Yanagtsze	1,810
H.K. & Far East Inv.	1,690

Share	Dec. 27	Last Week's Rate			Up & Down	Dividend	Estimated Annual Yield (%)
		Highest	Lowest	Closing			
HK Bank	850	860	850	860	+\$10	\$50	5.81
Union Ins.	77 s	76	74 b	76	steady	\$3.40	4.47
Lombard	32.50 b	32.75 b	32.50 b	32.75 b	+25c	\$2	6.11
Wheelock	6.50	6.60	6.50	6.50	firm	75c	11.54
HK Wharf	120 b	120	120 b	120	firm	86	5.00
HK Dock	51 s	50	49.50	50	steady	\$2	4.00
Provident	11.70	11.80	11.70	11.80	+10c	\$1	8.47
HK Land	32.50	32.75	32.50	32.50	firm	\$3.50	10.77
Realty	1.35 b	1.40 s	1.35 b	1.35 b	firm	15c	11.11
Hotel	14.80	15.10	15	15.10	+30c	\$1	6.62
Trams	22.60	23.20	22.70	23.10	+50c	\$1.70	7.36
Star Ferry	125 n	125 n	124 b	125 n	steady	90	7.20
Yau-mat	94.50	97	94.50	95.50	+\$1	\$7.50	7.85
Light	17.10	17.20	17.10	17.20	+10c	\$1.10	6.40
Electric	26.90	27.30	26.90	27.10	+20c	\$1.80	6.94
Telephone	25.80	26.10	26.10	26.50	+70c	\$1.50	5.98
Cement	26.40 s	26.40 s	26 s	26 s	-40c	94	15.38
Dairy Farm	16	16.20	16	16.20	+20c	\$1.63	10.06
Watson	11.60	11.70	11.60 b	11.70 b	+10c	\$1	6.55
Yangtze	5.35 n	5.30	5.25	5.30	steady	65c	12.36
Allied Inv.	3.675 b	3.70	3.675 b	3.70 b	+2½c	25c	6.78
HK & FE Inv.	9.70 b	10 s	9.75 b	9.80 b	+10c	80c	8.16
Amal. Rubber	1.35 s	1.35	1.325	1.325	steady	23c	21.13
Textile	4.50 b	4.575	4.50	4.50 b	firm	50c	11.11
Nanyang	8.70 s	8.50	8.50 b	8.50 b	steady	\$1	11.76

## CLOSING RATES ON 31/12/57

### H.K. Govt. Loans

3¼% Loan (1934 & 1940), 90 b.

3½% Loan (1948), 84 nom.

### Banks

H.K. & S. Bank, 857½ b; 860 sa.

H.K. & S. Bank (Lon. Reg.), £45¼ nom.

Bank of East Asia, 272 nom.

### Insurance

Union Ins., 74½ b.

Lombard Ins., 32½ b.

China Underwriters, 6.80 nom.

### Investment Companies

Allied Investors, 3.70 b.

Yangtze Finance, 5.30 b; 5.40 s.

H.K. & F. E. Invest., 9.80 b; 10 s.

### Shipping

Douglas, 420 nom.

Indo China (Frei.), 13 nom.

Indo China (Def.), 40 nom.

### Industrials

G. I. Cement, 26.40 s.

H.K. Rope, 14.90 nom.

Metal Industries, 1 b.

Amoy Canning (H.K.), 38 b.

### Stores

Dairy Farm, 16 b; 16.40 s; 16.20 sa.

Watson, 11.70 b; 12 s; 11.70 sa.

L. Crawford, 14 b.

Cald. Macg. (Ord.), 28.40 nom.

Sincere, 2.70 b.

China Emporium, 8¼ b.

Sun Co. Ltd., 1 b.

Kwong Sang Hong, 175 nom.

Wing On (H.K.), 70½ b.

### Miscellaneous

China Entertainment, 22.80 nom.

International Films, 45c. nom.

H.K. Construction, 5.90 nom.

Vibro Piling, 15.90 b.

Marsman Investments, 8/- nom.

Marsman (H.K.), 65c. nom.

	Qty. of Shares
Asia Navigation	500
Wheelock Marden	48,955
Wharf Co.	1,950
C. Provident	11,516
C. Provident (Partly Pd.)	1,493
H.K. Dock	1,200
H.K. & S. Hotels	13,900
H.K. Land	20,070
Humphreys	1,000
Realty	16,600
H.K. Tram	13,013
Peak Tram (F. Pd.)	100
Peak Tram (P. Pd.)	1,435
Star Ferry	100
Yaumati Ferry	6,193
China Light	26,393
H.K. Electric	20,824
Telephone	31,230
Cement	3,740
Metal Industries	4,200
Dairy Farm	22,639
Watson	8,895
Lane Crawford	7,150
Sincere	722
Vibro Piling	1,463
Shanghai Gas	1,000
Textile	11,500
Nanyang Mill	11,402
<b>Rubber</b>	
Amalgamated Rubber	285,000
Ayer Tawah	45,888
Java-Consolidated	7,029
Rubber Trust	75,151
S'hai Kelantan	11,000
Sungala	26,000

## SINGAPORE SHARES

With the Christmas holidays intervening business covered only three and a half days. There was a general tendency for quotations to sag. Business was written in thirteen counters in the Industrial section and included Fraser & Neave from \$2.65 to \$2.62½ but with further sellers at the close, Malayan Breweries at \$3.40, Robinson Ords. at \$1.76 and Singapore Cold Storage from 93c. to 90c., Wearnes eased from \$3.20 to \$3.10 and Straits Traders from \$1.83 to \$1.77½.

Activity in Tins was virtually at a standstill with Laruts changing hands at 4/- and 4/2, Meru at 1/10 and 1/9, Sungei Way \$1.27½ and Selayang 1/3d.

Rubber shares were featureless until the last day's trading when there was evidence of some small selective buying interest, but, even so, the general trend was towards slightly lower levels. Highlight of the week was Suloh which improved from 50c. buyers to 67½c. buyers on rumours of negotiations for a sale of the estate. Batu Lintang were steady at \$1.70 and Benta at \$1.50. Sterling Rubbers were equally dull with Bagan Serai fluctuating between 2/5 and 2/6½.

There was a sharp contraction in the volume of overseas investments.

## TRADE DEVELOPMENTS IN DECEMBER

### CHINA TRADE

Trade representatives from Europe, UK, Japan and other countries stationed in Peking reported that there were no immediate hopes of more trade between China and the free World

because details of China's Second Five-Year Plan were not yet complete. China would probably delay her purchases until it is possible to assess the overall result of 1958 agricultural output.

**China/UK Trade**—Meanwhile, Mr. Marcus Newmark, managing director of M. Newmark and Company, London, concluded a contract with Chinese trade officials covering shipments of Chinese furs, skins and essential oils to UK against consignments of British chemicals and rubber accessories to China. Another British businessman, Mr. F. R. H. Pollak, managing director of Biddle, Sawyer and Company, London, signed several contracts worth more than \$500,000 with Peking officials covering exchange of raw materials, chemicals and general goods. According to a report from London, China bought more than £700,000 worth of textile machinery from Britain during the month. The equipment, which includes various types of woollen and worsted processing and weaving machinery, is to be delivered before the end of 1958.

**China/Japan Trade**—A Japanese woollen textile mission spent four weeks in Shanghai negotiating exports of Japanese woollen piecegoods without success. Negotiation between Japanese fertilizer manufacturers and Peking officials was more successful; a contract will be signed soon for the supply of 400,000 tons of ammonium sulphate and 20,000 tons of superphosphate of lime at US\$50.24 and US\$33.60 per ton respectively.

**China/Canada Trade**—Reports from Ottawa revealed that Mr. Forsyth-Smith, Canadian Trade Commissioner in HK, had suggested that the Government encourage Canadian businessmen to visit China because markets existed on the Mainland for Canadian pulpwood, aluminum, plastics, industrial chemicals, nylon, cellophane and other products. Authorities in Ottawa added that many of the products listed came under the category of strategic materials prohibited from exporting to Communist countries.

**China/Europe Trade**—A Sino-Finnish trade agreement for one year was signed in Peking for the exchange of 100 rubles of goods during the year ending October 1958. Finland will export paper, chemical pulp, artificial fibre, copper and machinery while China will supply Finland with soya beans, fats and oils, tea, egg products, fruits, canned goods, silk, tin, animal products and handicrafts.

Peking was also trying to sell woollen sweaters and nylon gloves to Europe. Samples of these items were sent to Norway, Sweden and other Northern European countries via Hongkong. During the past two years these countries had been buying gloves and sweaters from Hongkong.

**China's Trade with Other Countries**—From Cuba, China bought 100,000 tons of crude sugar. With Indonesia, China concluded an agreement covering the purchase of 45,000 tons annually

of all grades of rubber; the first shipment of about 3,000 tons will be delivered in January and prices will be fixed according to market quotations at the time of export. To Ceylon, China shipped large quantities of tyres and cotton textiles under the existing rubber/rice pact. With Egypt, China signed a trade protocol for 1958 for a two-way exchange of £13 million worth of goods. Egypt will export cotton, rice, cotton yarn and other textile products while China will supply Egypt with vegetable oils, beans, iron, steel, timber, trucks and machine tools. The two-way total under the 1957 China/Egypt trade protocol was £12 million.

A Sudanese trade mission also visited China and managed to sell more cotton to Peking; in return took Chinese textiles and other manufactured goods.

### HK ENTREPOT TRADE

Imports from UK, US, Europe and Japan remained steady particularly of Christmas goods and winter-wear during the first half-month. On account of the holidays, both imports and exports were curtailed during the second half-month. Consequently, imports totalling \$407 million were \$4.5 million lower than the record of the previous month and exports amounting to \$238.2 million were \$15.6 million less.

Towards year-end, booking of replenishments from various sources slowed down partly due to tight money among local dealers and partly on account of the uncertain demand from SE Asia. A few items of metals were fractionally lower under light liquidation but selling pressure was not sustained and quotations later recovered. Sugar remained weak throughout the month on account of heavy supply. On the whole, however, commodity prices were steady during the month.

**HK/China Trade**—China's purchases from here were limited to small lots of metals and fine chemicals when prices were slightly depressed by small-scale liquidation. Imports of foodstuffs from China continued active; many dealers here experienced difficulty in unloading the heavy supply. There were also chinaware, glass, drawn lace work, hide, tea, bristles, sesame, beans and cotton cloth but consignments were small compared with food shipments.

Chinese leather goods and woollen sweaters are now on sale in a number of local department stores. Prices are slightly cheaper than British and other goods but quality much inferior. For example, Peking-made leather gloves without lining are sold at \$10 per pair compared with \$13 for imported British brands but the Chinese gloves are stiff and the black colour comes off.

Imports of Chinese cement curtailed because Peking was sending large quantities of this item direct to SE Asia; 1,200 tons went from Canton to Singapore and substantial quantities were also sent to Indonesia. China's exports transhipped here during the month included cotton cloth to UK, chemicals



and other light industrial products to Thailand, Ceylon and Malaya.

**HK/Japan Trade**—Imports from Japan further declined from the level of the previous month. Principal items were cotton textiles, canned food, toys, paper, rayon products, woollen piecegoods and sundries. There were also small lots of bean oil, seafood, fruits, sewing machines, photo supplies and fertilizers. Dealers here curtailed the booking of cotton textiles, woollen goods, toys and sundries on account of the uncertain demand from SE Asia.

In Osaka, 16 major Japanese firms trading with HK agreed in principle to enforce a proportional quota system governing cotton cloth shipments to HK. The annual target will be 100 million yards subject to readjustment every quarter. 60% of the quota will be exports to HK and 40% to Indonesia via HK. Details of this system will be submitted to authorities there early January and if approved, the quota will be applied retroactively from November 1957. However, supply of Japanese cloth in the local market remained abundant throughout the month forcing prices here to a very low level.

With the exception of 13,000 tons of iron ore, exports to Japan (woodoil, sesame, beans, rattan, scrap iron, hide, cotton waste and gallnut) were limited to small consignments. Orders from Japan covered only a few items of produce; many transactions fell through because buying offers were too low to interest local dealers who failed also to obtain enough supply from China. Prospects of improvement in shipments to Japan dull although freight charges for cargo from here to Japan were reduced.

**HK/UK Trade**—Cargo movements between HK and UK also slowed down; there were less imports of metals and woollen textiles and lower exports of cotton textiles and produce. Demand from UK for rubber footwear, plastics products, shirts, children's garments, torch, preserved ginger and slippers and sandals remained steady. Shipments of the last item to UK were blamed by British shoemakers for the decline in the price of imported footwear in Britain. There were however no fresh attacks on HK textile industry by British piecegoods manufacturers; UK importers bought more grey cloth from China during the month.

**HK/Europe Trade**—Local dealers slowed down the booking of replenishments from Europe. In the case of paper, indents were still higher than local market quotations in most cases. Metal stock here was still heavy while demand from SE Asia for chemicals and pharmaceuticals unpredictable. From here, European buyers (chiefly from West Germany and Scandinavian countries) made selective purchases of produce. Demand for HK cotton goods and plastics products turned sluggish.

**HK/US Trade**—Local dealers imported substantial quantities of industrial supplies, provisions and Christmas

goods from US during the first half-month; imports during second half-month slowed down. American machinery and equipment, raw materials, staple and durable consumer goods are getting ever more popular here. The Dow Chemical International Limited of Michigan USA established a branch office here to facilitate the supply of various plastics and chemicals to local factories. Another American manufacturer was seeking a British or Chinese firm or an individual to act as managing agent of a local company to be established by this American interest which already has several consumer products well established in the local market.

Exports of HK products remained active; principal items were firecrackers, rattan ware, carved wood furniture, toys, shirts and other garments, cotton textiles, torch, etc. HK-made brassiere is attracting ever more orders from American consumers. A local bra factory employing about 300 workers accepted orders from US during the month for forward deliveries up to May 1958.

**HK/Indonesia Trade**—At the beginning of the month, Djakarta bought moderate quantities of paper, pharmaceuticals, cotton cloth and sundries from here but as the political storm over Indonesia intensified, exports to Djakarta and ports outside Java came almost to a standstill. Shipments resumed towards month-end after situation there calmed down. London Institute of Underwriters however on December 23, raised shipping risk rates for Indonesian or Dutch New Guinea waters from 2s to 5s per £100; the rates cover war, strikes, riots and civil commotion.

The disruption of Indonesia's traditional intercourse with Europe will eventually stimulate Djakarta's trade with the East. Indonesia used to buy 1,000 million rupiahs worth of Dutch metals, machinery, canned milk, cotton piecegoods and pharmaceuticals every year. Optimistic traders here anticipated that Djakarta might turn to HK for more supplies. But most businessmen believed that Djakarta would increase purchases from Japan direct under reparations arrangement rather than buy more Japanese goods via HK. The US\$225 million reparations agreement would probably be signed in Djakarta in January. Japan had agreed to wipe out the Indonesian trade debt to Japan amounting to US\$174.5 million. US\$400,000 worth of private investments and loans will also be extended to Indonesia during the next 20 years. Payments of war reparations will be made in instalments of US\$20 million annually during the first 11 years leaving \$5 m to be paid in the 12th year.

During the month Japanese shipowners and Indonesian government officials signed a private agreement under which Japan will supply Indonesia with 75,000 tons of shipping consisting of 26 freighters, tankers and

passenger ferries for use on Indonesian inter-island shipping routes. The vessels will operate on normal charters and all costs, to be borne by Indonesia, will be paid in pounds sterling. The agreement will be valid for six months and subject to extension.

The drop of Indonesia rupiah in HK will continue to handicap Djakarta's purchases from here. The deterioration of rupiah was caused to a certain extent by the new flight of capital out of Indonesia but the steady drop of foreign exchange reserves there during the past few months probably did most of the damage. According to local banking authorities, only very small amounts of funds influxed from Indonesia recently because the bulk of Chinese capital there which could be switched to HK had already reached here in 1956 and early 1957.

Imports from Indonesia consisted chiefly of sugar and rattan. To tighten the control over foreign exchange, Djakarta announced that beginning 1958 export licences would be issued only against presentation of L/Cs from abroad. In Sumatra, the military government stipulated that exports of major staples would be allowed only for the exchange of essential imports such as rice, paper, grey cloth and salt fish. Sumatra authorities were also considering to allow the use of self-provided foreign exchange for essential supplies.

**HK/Thailand Trade**—Exports were not encouraging. Demand from Bangkok for metals, paper, pharmaceuticals and HK manufactures was not keen; interest was centred on a selective number of items and buying offers were mostly too low to interest local dealers and factories. Bangkok curtailed purchases from here probably due to its increased volume of direct imports from China and Japan. Tight money in Bangkok also restricted the volume of purchases from here.

Imports of Thai rice remained heavy throughout the month. There were also consignments of teak, maize, groundnut, beans, hide, sesame and sundry provisions; quantities however were not substantial.

**HK/Malaya Trade**—Exports amounting to 13,000 tons consisted chiefly of wines, sundry provisions, fruits and foodstuffs; mostly Chinese products. There were also exports of cotton textiles, enamelware, aluminumware, paints and wheat flour but consignments were comparatively small. Reports from Singapore revealed that re-exports from there and Malaya to Indonesian ports outside Java were very active.

Meanwhile, Singapore and Kuala Lumpur bought more textiles, foodstuffs, cement and other light industrial products direct from China. It seems that local exporters and manufacturers have to redouble their efforts to retain this most important SE Asian market. Preferential tariff alone could not ward off the intensified competition from China.



**HK/Philippines Trade**—Only small consignments of cotton textiles, pharmaceuticals, beans and metalware were sent to Manila. Trade between HK and the Philippines came almost to a standstill on account of strict import restrictions maintained by Manila. Following the drop of foreign exchange reserve to a record low level, Manila suspended all permits for barter transactions and curtailed imports of non-essentials. The Central Bank in Manila banned remittance of dollar profits out of the country and even raised margins for L/Cs covering essential imports. Prospects of improvement in exports to the Philippines remained dull; authorities there were also considering to suspend imports financed from self-provided foreign exchange.

**HK/Korea Trade**—Seoul earmarked one million US dollars for essential imports. There were however more enquiries than orders for paper, structural steels, plates, pharmaceuticals and chemicals; most transactions fell through because stock here short and buying offers extremely unattractive. Dealers here were not anxious to book heavy supplies to meet possible enquiries from Korea because they believed that Seoul would obtain the bulk of supplies direct from US, Japan and Europe. Seoul also planned to include more items on the list of prohibited imports beginning 1958; the list already includes cosmetics because powder, cream, lotion, pomade, etc. are being manufactured in Korea.

Imports of yarn were restricted to small lots; local demand was not very encouraging.

**HK/Taiwan Trade**—Exports to Taiwan averaged about 500 tons per week; principal items were metals, pharmaceuticals, dyestuffs, dairy products and fish fry. Dealers here anticipated that Taiwan's purchases from here might be further curtailed in 1958. Officials in Taiwan indicated that they would tighten control on imports because US economic aid had been cut by US\$20 million. Purchases of consumer goods (including foods, beverages, powdered milk and office supplies) will be curtailed but allocations for industrial raw materials will be increased.

Import of sugar from Taiwan continued steady; other regular imports were ginger, feather, citronella oil, camphor products and tea. Keen competition from Mainland products forced Taiwan citronella oil to a very low price. According to a report from Taipei, citronella oil exports from Taiwan last year dropped by some one million pounds while China picked up most of Taiwan's lost market.

Taiwan produce exporters are finding it ever more difficult to compete not only with China but also with SE Asia on account of the multiple exchange rates enforced by the Government which absorb whatever profit exporters there are able to earn. Towards the end of last month it was learned that textile exporters in Taiwan would soon be able to use the entire foreign exchange,

instead of 80% at present, earned from exports for the purchase of raw cotton. There was no indication however that the multiple exchange rates might be amended to stimulate exports in general.

**HK/Cambodia Trade**—Imports of live hogs, maize, beans and other staples were limited to small consignments. From here, Phnompenh ordered only moderate quantities of HK products consisting chiefly of torch, enamelware and other metalware. The stagnant reexport of commodities from Cambodia to Thailand and South Vietnam discouraged Phnompenh merchants from procuring various merchandise from here. Increased volume of direct trade between Cambodia and China also adversely affected HK exports to Phnompenh.

**HK/Laos Trade**—A few hundred tons of structural materials, paper, cotton textiles, plastics products, garments, biscuits, provisions and other essential supplies were shipped to Laos via Thailand. Vientiane's purchases from here might improve next year after receiving the 1958 US Aid Funds.

**HK/Vietnam Trade**—Saigon made moderate purchases of paper and chemicals from here. There were also enquiries for sugar but orders would probably go to Taiwan. Towards month-end, Saigon showed keen interest in obtaining enamelware, vacuum flask, plastics products, electrical appliances, office equipment and supplies, vegetables and other foodstuffs from here.

Haiphong sent here several consignments of aniseed star, taro chips, ginger, poultry, feather and seafood but bought nothing in return.

**HK/Burma Trade**—Cargo movements between HK and Burma were quiet throughout the month. Local spinners lost the tender for the supply of cotton yarn to Japan, Pakistan and India. Rangoon bought only a small lot of HK yarn from the spot market. There was no order for groundnut oil; Rangoon bought this item direct from Africa. The slow-down in purchases from here was probably due to the exhaustion of 1957 import budget in Rangoon.

**HK/Ceylon Trade**—Demand from Colombo for HK manufactured cotton textiles, metalware, etc. as well as for produce improved probably because supply from China was insufficient. Prospects however remained uncertain.

**HK/Australia Trade**—Imports of fruits, frozen meat, wheat flour, canned goods and dairy products were steady throughout the month but exports of textiles, wearing apparel, vacuum flask, toys, gloves and rattanware slowed down. Since July, when a new trade agreement was signed between Japan and Australia, HK exports to Australia had been facing intense competition from Japanese products. The tightening of restrictions on imports in Australia will further handicap HK exports to that market.

**HK/Africa Trade**—Imports came chiefly from East Africa including about

2,000 tons of raw cotton. Exports to African markets remained normal: 2,000 tons to East Africa; 1,500 tons to South Africa and about 4,000 tons to West Africa.

**HK/Canada Trade**—Imports of paper products, wheat flour, canned food and pharmaceuticals totalled about 3,000 tons. Demand from Canada for HK manufactures improved; interest covered gloves, rubber shoes, shirts, underwear, pajamas and embroideries. There were also orders for Chinese-style foodstuffs but quantities very small and the demand only seasonal.

**HK/India Trade**—India sent more cotton yarn to the local market; prices were marked down to attract buyers. Exports of cassia, metalware and rayon products to India remained irregular and light.

**HK/Pakistan Trade**—Imports of cotton yarn from Pakistan curtailed on account of the high cost. From here, Pakistan increased purchases of torch, brushes, electric appliances and metalware but each order was still limited to a small quantity.

**HK/North Borneo Trade**—Imports of timber, firewood, rubber and other staples from North Borneo totalled about 12,000 tons. Exports however were quiet and consisted of a few thousand tons of cement, dressed stone and other structural materials.

## HK COMMODITY MARKET

**China Produce**—Demand from Japan, Europe, UK, Australia, Canada and other buyers was not very keen and interest was centred on a few items only. Transactions were also handicapped by restricted supply. Dealers here could not get enough oilseeds, woodoil, feather and animal by-products from the Mainland while SE Asian products were becoming more expensive.

Sesame of Thai origin accounted for the major portion of purchases made by Japan and local mills because supply from China inadequate. Citronella oil of Chinese origin monopolized the market because Taiwan offers were much higher than Canton quotations. Woodoil was very much in demand; most contracts covered forwards. Groundnut oil turned sluggish because Burma approached Africa for direct supply. Bean oil followed the trend of groundnut oil; price weak especially after new supplies arrived from Japan. Rosin retained strong local as well as export demand but supply difficult to obtain from China. Dried chilli was still favoured by Ceylon in spite of large shipments of this item from China direct to Colombo; buying offers however were very low. Menthol crystal enjoyed strong demand from Australia, Japan and SE Asia but dealers here could not get enough supply either from China or from Taiwan. Other popular items were maize, cassia, groundnut, gannut, cassia oil, coir fibre, turpentine and beans.

**Metals**—Exports slowed down; there were more enquiries than orders from



SE Asia and Taiwan for structural steels and factory supplies. Buying offers were usually too low. Local demand for structural steel, iron pipe, sash bars, tinplate and blackplate waste was steady but consumption limited. China absorbed some steel plate and round bars when prices were forced down slightly by isolated liquidation; prices later recovered because selling pressure was not serious. Indents from Japan and Europe for a number of items were fractionally lower but still higher than local market quotations. Prices were steady in general towards month-end.

**Paper**—Local demand for packing and printing paper was very strong before the holidays but the seasonal rush subsided during the second half-month; prices failed to advance because quantities involved were small. On the other hand, orders for sulphite, tissue, cellophane, glassine, aluminum foil and duplex board from Korea were too big; supply here inadequate to fulfil the demand forcing Seoul to take forwards of sulphite and tissue paper. In the case of newsprint in reels, Korea bought direct from Austria. Dealers here found that enquiries from Seoul were not as keen as during the first half of 1957 probably on account of the increased volume of Korea's direct imports from Europe. Local paper merchants also hesitated to book heavy replenishments from Europe because in many cases new cif quotations were higher than buying offers from Korea. There were also orders from SE Asia for printing, packing and writing paper but most transactions were handicapped by low buying offers; quantities involved also moderate.

**Pharmaceuticals**—Inadequate stock here restricted the volume of trade. Dealers were reluctant to book heavy supplies because demand from various sources remained uncertain. As in the case of paper, most buying offers were lower than new indents. The market therefore registered only spasmodic transactions in fine chemicals and antibiotics; popular items included sulfonamides, aspirin, phenacetin, saccharine crystal, amidopyrin, antipyrin, strychnine nitrate and vitamin powders. Prices firm.

**Industrial Chemicals**—The market was quiet. Demand from Taiwan, Thailand and local factories covered only a few items including sodium bicarbonate, sodium nitrate, tartaric acid, acetic acid, stearic acid, potassium cyanide, methyl alcohol, petrolatum, lithopone, shellac, formalin, gum damar, gum copal and acetone. Prices firm because stock short.

**Cotton Yarn**—At the beginning of the month, HK cotton yarn retained steady local demand. Burma bought a small lot from the spot market but did not accept tenders submitted by local spinners for the supply of 30,000 bales of cotton yarn. Prices remained steady. Tight money during the weeks before the holidays restricted the volume of business in the local yarn market. HK products were then mark-

ed down slightly and many mills offered to supply weavers and knitters on credit. Pakistan products were higher than other supplies on account of high cost; during the second half-month, dealers marked down quotations to attract buyers especially after Karachi quotations had declined but buyers favoured Japanese and Indian brands which were depressed to record lows on account of heavy supply. Towards month-end, revived demand from Indonesia kept HK and Japanese brands steady. Korean brands were steady throughout the month on short stock and limited supply.

**Cotton Piecegoods**—Several local weavers reported that they got less number of orders from UK for grey cloth compared with the previous year. (During the month another UK textile merchant went to China and bought direct from Peking a substantial volume of Chinese textiles including a large quantity of grey cloth). Prices here for HK brands steady on short spot goods. HK grey drill was favoured by Indonesia towards month-end; 150,000 pieces were ordered. Chinese grey cloth remained sluggish throughout the month because reexports slowed down while Japanese products were further depressed by lower indents. Japanese white shirting steady on good demand from local shirtmakers.

**Rice**—Heavy supply kept Thai rice of all grades at a low level; firm cost and steady local demand prevented prices from dropping. Prices will probably remain low because Bangkok had announced that export quota for 1958 would be increased while Phnompenh reported that exports of rice would be resumed in 1958. Chinese rice steady on limited supply.

**Wheat Flour**—Hongkong products enjoyed renewed demand from Singapore and Malaya but quantities involved moderate. Flour made from Australian wheat marked up in sympathy with increased cost. American and Canadian brands remained sluggish because cif quotations dipped in line with lower freight charges.

**Sugar**—Supply far exceeded demand throughout the month. Taiwan granulated remained at a very low price level. In addition to heavy imports from Taiwan, Indonesia and Africa shipped here 5,000 tons of sugar during the month. HK products were also marked down in spite of revived exports to Singapore and Malaya. Saigon enquired for Taiwan granulated but dealers believed that orders would eventually be placed with Taiwan direct.

**Cement**—Local demand for HK brands as well as for Chinese and Japanese products remained very strong throughout the month. Exports however slow; with the exception of small consignments of HK brands to North Borneo, shipments to other ports quiet. Singapore was buying large quantities of cement direct from Canton but towards month-end returned to the local market for HK products because freight charges for this item from here to that

port were reduced by about 37%. During the month, prices for Chinese products were marked up; supply difficult to procure from Canton. Imports of Japanese cement also curtailed.

## COMMODITY PRICES

(Dec. 31, 1957)

### CHINA PRODUCE

**Aniseed**—Star—Kwangsí, export quality, £110 per ton c & f Europe. **Camphor Tablets**—HK, \$3.15 per lb of 1/16-oz tablets; \$3.05, 1/8-oz tab; \$3, 1/4-oz tab; \$2.95, 1/2-oz tablets. **Cassia**—Broken, Kwangsí/Kwangtung, A grade, \$210 per picul. Ligna, Kwangsí/Kwangtung, 80-lb bale, Rs 135 per bale c & f Calcutta. **Coir Fibre**—Szechwan, £125 per metric ton cif Japan. **Feather**—Hen, dyed, South China, 6s 1d per pound c & f Europe. Duck, export quality, NN 85%, 4s 10d per lb c & f Europe. **Gypsum**—Hupeh, white, \$13.50 picul. **Menthol Crystal**—HK, \$38.50 lb. Shanghai, \$38.50. Taiwan, \$35 lb. **Peppermint Oil**—HK, \$15 lb. Shanghai, \$22. Taiwan, \$14.50. **Rosin**—South China, mixed, A grade, \$101 quintal ex-godown. M grade, \$61 per metric ton c & f Liverpool. **Castor Seed**—Cambodia, \$55 picul. **Mustard Seed**—Tientsin, \$96 picul. **Sesame**—Africa, \$95 picul. Thailand, black, \$85. Cambodia, black, large, \$76.50. **Aniseed Oil**—Kwangsí, in drum, \$1,100 picul. **Camphor Oil**—Taiwan, in drum, \$128 picul. Kwangsí, in drum, \$120. **Cassia Oil**—Kwangsí/Kwangtung, 80/85%, in drum \$1,350 picul. **Eucalyptus Oil**—Hainan, 67d per kilo c & f Europe. **Citronella Oil**—Hainan, forward, 5s 8d per lb c & f Europe. Taiwan, forward, \$3.70 lb fob Keelung. **Turpentine**—South China, 1st grade, in drum, forward, L-73 per metric ton c & f Australia. **Woodoil** (refined)—China, in drum, forward: \$155 per long ton c & f Australia; \$159 per long ton c & f New Zealand; \$160 per metric ton c & f Japan. **Bitter Almond**—Tientsin, red membrane, new, \$175 picul. India, \$130. **Bee Wax**—South China, special grade, \$470 per metric ton c & f Japan. **Gallnut**—Hankow, \$408 per long ton c & f Japan. **Maize**—Cambodia, yellow, \$24 picul. Thailand, yellow, forward, \$22 picul. **Groundnut** (shelled)—Africa, new, \$82 picul. **Groundnut Oil**—Africa, 1st quality, in drum, \$138 picul. Shanghai, 1st, in bulk, forward, \$126. Tsingtao, in bulk, \$125. Cambodia, in drum, \$125. Indonesia, in drum, \$140. Thailand, in drum, \$160. HK, \$160. **Soyabean Oil**—Japan, \$112 picul. **Black Bean**—Kwangsí, small, \$30.80 picul. Tientsin, medium, \$33. **Broad Bean**—Chekiang, \$46.50 picul. **Green Pea**—Cambodia, large, \$55 picul. Thailand, new, \$57. Anhwei, \$55. Tientsin, \$57. Szechwan, \$49. **Red Bean**—South Vietnam, 1st, \$36 picul. Kiangsú, \$68. **Bamboo Bean**—Burma, white, \$30 picul. Kweichow, \$25.50. **Soya Bean**—Dairen, new, forward, \$47 picul. Cambodia, \$45.

### METALS

**Mild Steel Angle Bars**—Europe: 1/8" x 1" x 1" and 3/16" x 1 1/2" x



1 1/2", \$45 picul; 1/4" x 2" x 2", \$39; 5/6" x 2 1/2" x 2 1/2", \$43. **M.S. Flat Bars**—Europe: 1/8" x 1/2" to 1 1/4", \$48 picul; 1/4" x 1" to 2", \$46. **HK: 1/8" x 1/2" to 1", \$43.50 picul; 1/4" x 1/2" to 2", \$43. M.S. Round Bars**—Europe: 1/2" dia, \$41 picul; 1-1/8" dia, \$41.50. **HK: 1/4" to 1" dia, \$42. M.S. Square Bars**—Europe: 5/8" to 3/4", \$47 picul; 7/8", \$46. **M.S. Plates**—Japan, 4' x 8': 1/16", \$54 picul; 3/16" and 1/4", \$53. **Galvanized Steel Plain Sheets**—UK, 4' x 8', 1/16", 54c lb. **Steel Wire Rope**—UK, 24 x 6 x 7: 1 1/4", \$1.90 lb; 2", \$1.48; 2 1/2", \$1.38. **HK, 24 x 6 x 720': 1", \$1.80; 2", \$1.20; 2 1/2", \$1.10. Tinplate Waste Waste**—Coked: UK, 18" x 24", \$98 per 200-lb case. Electrolytic: US, 18" x 24", 1 ton skid, \$82 per 200 lbs; UK, \$81. **Misprint: US, 18" x 24" and larger.** \$47 picul. **Blackplate Waste Waste**—US, 18" x 24" and larger, G29/33, \$42 picul. **Tinplates**—UK, 20" x 28", \$132 per 200-lb case of 112 sheets with tin-lining; 30" x 36", G24, 75c lb. **Galvanized Iron Sheets**—Japan, 3' x 7': USSG 26, 55c lb; USSG 28, 60c lb; USSG 34, \$5.10 per pc. **Blackplates**—Japan, 3' x 6', G20, \$60 picul. **Aluminum Sheets**—Japan, 99.5% alloy, 4' x 8': G22, \$2 lb; G26, \$2.15. **Brass Sheets**—UK, 4' x 4', 20/40-lb sheets, \$250 per picul. UK, rolled, 12" width, 9/12-oz sheets, \$240 picul. **Zinc Sheets**—Europe, 3' x 8': G5, \$122 picul; G6, \$118. **Pig Lead** (98% alloy)—\$84 picul. **Black Iron Wire**—Europe, G19/21, \$50 picul. **G.I. Wire**—Europe or Japan: G8, \$55 picul; G12, \$55; G22, \$77. **Black Iron Pipe**—Europe, 1 1/4" dia, 85c per foot. **Galvanized Iron Pipe**—Europe: 3/4" dia, 57c per foot; 1" dia, 75c; 1 1/4" dia, \$1; 1 1/2" dia, \$1.43; 2", \$1.65 foot. **Wire Nails**—HK: 5/8" x 18 BWG, \$83 picul; 1 1/2" to 7", \$60. Europe: 5/8" x 18 BWG, \$85 picul; 3/4" x 17 BWG, \$81.

#### PAPER

**Newsprint**—In reels, 31", 50/52-gr, prices per lb: US, 45c; Canada, 44 1/2c; China, 44c; Japan, 43c; Norway, 44 1/2c; Austria, 44 1/2c; Finland, 45c; Europe, 43 1/2c. In reams, 31" x 43", 50/52-gr, 48/50-lb ream, prices per ream: Europe, \$24; Japan, \$22; China, \$24.20. **Flint**—Coloured, 20" x 30", China, 31-lb ream, \$34 ream. **Prime Glassine**—Europe, 30-gr, 26-lb ream, 30" x 40", \$33.50 to \$36.50 ream. Japan, \$34.50. Coloured, Europe, 30-gr, \$39.50 ream. **Duplex Board**—Sweden, 31" x 43": 230-gr, \$132 per 220-lb ream; 300/420-gr, 280/380-lb ream, 68c per lb. **Chip Board**—Norway: 290-gr, 280-lb ream, 31" x 43", 54c lb; 230-gr, 220-lb ream, \$116 ream. **Cellophane**—UK, 30-gr, 36" x 39", \$74 ream. Europe or Japan, coloured, 36" x 39", \$92 ream. **Bond**—White, 22" x 35", 60-gr, 32-lb ream: Norway or Sweden, with water mark and brand name, \$31.50 ream; Japan, with w/m and b/n, \$23.50; Japan, without w/m and b/n, \$21.60. Coloured: Norway or Sweden, \$32.50 ream; Japan, \$25. **Woodfree Printing**—31" x 43", 60-gr, 57/60-lb ream: Austria, 76c lb; Japan 68 1/2c. **Manifold**—China,

white, 28-gr, 15-lb ream, forward, \$12.30 ream. Europe, coloured, \$13.50 ream. China, coloured, \$13.50. **Tissue**—Austria, 25" x 44", 17-gr, 13 1/2-lb ream, forward, \$16.90 ream. Norway, \$16.60. **M.G. Pure Sulphite**—30" x 40", 20-gr, 17-lb ream; Sweden, forward, \$14.60 ream; Norway, spot, \$12.80 ream. **M.G. Pure White Sulphite**—Sweden, 34-gr, 40-lb ream, 35" x 47", \$28.50 ream. **M.G. White Sulphite**—Europe, 40-gr, 47-lb ream, 47" x 35", \$30.50 ream. **M.G. Pure Ribbed Kraft**—Europe, 60/160-gr, 75/160-lb ream, 35" x 47", 73 1/2c lb. **M.G. Ribbed Imitation Kraft**—Europe, 60/160-gr, 70/160-lb ream, 35" x 47", 67c lb. **M.G. Ribbed Kraft**—China, 48-lb ream, 35" x 47", \$25.50 ream. **Un glazed Kraft**—China, 40/80-lb ream, 35" x 47", 61 1/2c lb.

#### INDUSTRIAL CHEMICALS

**Acetic Acid** (glacial, 99/100%)—Germany, 25-kilo carboy, 83c lb. Japan, 20-kilo carboy, 80c lb. **Citric Acid** (crystal)—UK, 1-cwt keg, \$2.30 lb. **Stearic Acid**—Australia, 140-lb bag, powder form, 88c lb. Holland, 112-lb bag, needle form, 1.05. **Sulphuric Acid**—HK, 750-lb drum, 16c lb. **Bicarbonate of Soda**—China, refined, 50-kilo bag, \$21 bag. **Bleaching Powder**—UK, 35%, 50-kilo drum, forward, \$37.20 drum. **Calcium Hypochlorite**—Japan, 60%, 50-kilo drum, 54c lb. **Caustic Soda**—China, 200-kilo drum, \$114 per drum. **Chlorate of Potash**—Japan, 50-kilo case, 76c lb. Switzerland, 100-kilo drum, 76c. **Formalin**—UK, 504-lb drum, 36c lb. **Glycerine**—Holland, specific gravity 1.260, 250-kilo drum, \$1.70 lb. **Gum Arabic**—Sudan, 100-kilo bag, \$1.07 lb. **Gum Copal**—Malaya, No. 1, 140-catty bag, \$215 picul. **Gum Damar**—Malaya, No. 1, 140-catty bag, \$285 picul. **Lithopone**—Holland, 30%, 50-kilo bag, 34c lb. **Polystyrene Moulding Compound**—UK and Canada, 50-lb bag, opaque, various colours, \$1.925 lb; transparent, crystal clear, \$1.70 lb. **Shellac** (lemon)—India, No. 1, 164-lb case, \$235 picul. **Soda Ash**—China, 80-kilo bag, \$28 bag. UK, 100-kilo bag, dense, \$36.50 bag; light, 70-kilo bag, \$30.50 bag. **Sodium Cyanide**—UK, 50-kilo drum, \$1.12 lb. **Sodium Nitrate**—Germany, 50-kilo bag, \$27.50 picul. **Tanning Extract**—Mimosa, 105-lb bag, 45c lb. **Quebracho**, 105-lb bag, 70c. **Paraffin Wax**—US, 143/150 degrees AMP, 90/94-lb paper carton, \$82 picul.

#### PHARMACEUTICALS

**Penicillin Tablets**—UK, expiration date 1961, 25 doz tablets cartons, 60c per doz tablets of 50,000 units each. **Penicillin Oil Injections**—Procaine, G, with aluminium monostearate, 300,000 units per cubic centimeter, UK, 1960, \$1.20 per vial of 10 cc. US, 1961, \$2.30. **Dihydrostreptomycin**—UK, 1962, 65c per 1-gm vial. **Sulfadiazine Powder**—UK, 1-cwt drum, \$22 lb. **Sulfathiazole Powder**—UK, 1-cwt drum, \$10.80 lb. **Sulfaguanidine Powder**—UK, 50-kilo drum, \$7.80 lb. **Sulfamerazine Powder**—Germany, 50-kilo drum, \$18.50 lb. **Isoniazide Tablets**—Switzer-

land, \$2.45 per bottle of 100 tablets each of 50 mg. **Aspirin Powder**—UK, 1-cwt drum, \$3.35 lb. **Antipyrin**—Germany, 50-kilo drum, \$8.80 lb. **Amidopyrin**—France, 1-lb package, \$19.80 lb. **Vitamin C Powder**—Germany, 1-kilo tin, \$55 per kilo. **Phenacetin**—UK, 1-cwt drum, \$4.75 lb.

#### COTTON YARN

**HK Brands**—10 counts, \$820 to \$920 per bale. 12's, \$930 bale. 20's, \$920 to \$1,000. 30's, \$1,380. 32's, \$1,360 to \$1,420. 42's, \$1,650. **Japanese Brands**—32's, \$1,255, to \$1,285. 40's, \$1,290 to \$1,340. 42's, \$1,450 to \$1,520. **Indian Brands**—10's, \$780 to \$815. 20's, \$850 to \$960. 32's, \$1,140 to \$1,160. **Pakistan Brands**—10's, \$780 to \$830. 20's, \$900 to \$1,000. 21's, \$925 to \$1,010. 32's, \$1,170 to \$1,290. **Korean Brands**—10's, \$820. 20's, \$960. 32's, \$1,260.

#### COTTON PIECEGOODS

**Grey Sheeting**—China, 36" x 40 yds, \$33 to \$35 per pc. HK, 36" x 40 yds, forward, \$37.50 pc. Japan, 38" x 40 1/2 yds, \$28.20 pc. **Grey Jeans**—China, \$27.60 pc. HK, 30" x 40 yds, \$27.50 pc. **White Shirting**—Japan, 36", \$1.49 yd.

#### RICE

**Whole Rice**—Thailand, special, \$60.50 picul; 1st grade, \$59.30; 2nd grade, \$58.50. **White Rice**—Thailand: special, 3%, new, \$55.30; 1st, 5%, new, \$54.10; 3-quarter, \$42.50. Cambodia: special, \$54.50; 1st, \$51.60; 2nd, \$49.40. North Vietnam, 1st, \$47.60. Canton, 1st, \$53. Burma, \$37. **See Mew**—Canton, new, 1st, \$54.50. **Broken Rice**—Thailand: A1 extra, \$43.40; A1 special, old, \$42.30; A1 ordinary, \$38; C1 special, new, \$32; C2, \$28.50. Cambodia, \$35.90. North Vietnam, \$34.30. **Glutinous Rice**—Thailand: 1st, \$37.60; 2nd, \$36.50; broken, \$30.30.

#### WHEAT FLOUR

**Australian Brands**—\$38 per 50-lb bag and \$13.70 per 50-lb bag. **American Brands**—\$23 per 100-lb bag and \$15.80 per 50-lb bag. **Canadian Brands**—\$34.80 per 100-lb bag and \$15.30 to \$17.80 per 50-lb bag. **HK Brands**—\$12.70 to \$17 per 50-lb bag and \$36.50 per 150-lb bag.

#### SUGAR

**Granulated Sugar**—Taiwan, refined, No. 24, \$45 picul. Taikoo, fine, \$45.60 picul. Japan, fine, \$45.60. **Brown Sugar**—Philippines, \$41.50 picul. Indonesia, \$42.50. Taikoo, \$36.50. **Candy Sugar**—HK, 2nd quality, \$52 picul. **Green Sugar**—Taiwan, 2nd quality, \$34.50 picul.

#### CEMENT

**HK Products**—Emeralcrete, \$8 per 112-lb bag. Emerald: \$6.40 per 112-lb bag and \$5.80 per 100-lb bag. Snowcrete: \$72.50 per 375-lb drum and \$16 per 1-cwt bag. **Chinese Cement**—Five Rams, 45-kilo bag, forward, \$110 per metric ton cif HK ex-ship. **Japanese Cement**—Ordinary cement, \$5.70 per 100-lb bag. White Cement, \$15.90 per 1-cwt bag.



## FAR EASTERN NOTES AND NEWS

(Continued from Page 56)

per annum, if paid in Vietnamese piastres and 3 per cent, if in US dollars.

## Commodities

Malaya plans to place an additional 10,000 acres under coffee cultivation to meet local consumption. New areas suitable for growing coffee are being surveyed by the government. There were 13,000 acres under cultivation in 1956 as compared to 9,000 in 1947. It has been found that Liberian coffee thrives in Malaya and is most favoured by the population.

Ceylon will spend in 1957 Rs 1 million more than in previous years to finance the intensified campaign in the United States for the increase of consumption of tea in the United States. Ceylon is participating with India, Indonesia and the USA in the joint tea drive being carried out by the United States Tea Council.

## Trade missions and Promotion

The name of the Rubber Commissioner's Department, Government of Ceylon, has been changed to Department of Commodity Purchase. The department deals with the export and import of rubber and other commodities and promotes the nationalization of trade. Japan will establish a fertilizer centre in Southeast Asia in order to boost Japanese exports. The centre may be set up in Bangkok, Thailand, to be financed both by the government and private sectors with each subscribing 11 million yen. A trade mission from Laos visited Japan, led by the President of the Chamber of Commerce of Vientiane, to survey market conditions and explore the possibilities of improving trade relations with Japan.

Pakistan introduced a new scheme to stimulate the export of manufactured goods. Special licences would be issued to established industries for the import of raw and packing materials, provided a specified portion of the finished product, to be determined by the government, would be exported within six months after the issuance of the licences. This privilege would be extended also to certain traders, small industries, corporations and provincial directorates of industries which are able to comply with the above conditions. The goods covered by the scheme are aluminium wares, artificial leather cloth, boot polish, brass and copper wares of all kinds, dry battery cells, handloom products, ivory goods, surgical instruments, electric bulbs, leather goods other than footwear, cosmetics and other exportable commodities.

## Handicrafts

Lacquer handicraft products from southern Viet-Nam valued at piastres 2 million (piastres 72 = US\$1 market rate) have been ordered by a firm in the United States. Shipment was made in July 1957. A travelling exhibit of these products has been organized in the USA for the purpose of introducing them to a larger public.

## Shipping

Under the joint auspices of the Colombo Plan and the United Kingdom Shipping Conference, a shipping mission is in India to advise the Government of India on the establishment of a second shipyard. The Government of Indonesia has constituted its Shipping Ministry, activities of which include all phases of the shipping industry, shipbuilding and harbour building and maintenance. The ministry consists of four departments.

## Standardization

The Export Promotion Council for Leather in India has under study a scheme requiring pre-shipment inspection of tanned leather destined for export. The Export Promotion Council for Mica proposes to issue inspection certi-

ificates when mutually agreed upon between buyers and sellers. Inspection of mica would be done on a voluntary basis.

The Government of Japan approved the following industrial standards, copies of which can be obtained from the Japanese Standards Association in Tokyo: Screw drivers for general use, Slide projectors, Levels, Chains for bicycles, Free wheels for bicycles, Hub cog for bicycles, Hub for bicycles, Coaster hub for bicycles, Spoke for bicycles, Chain adjuster and crank cotter pin for bicycles, Bells for bicycles, Hand knitting machines for export.

Plans are under way in the Philippines to establish standards for locally-made drugs, medicines and pharmaceutical products. Standards for these commodities will be set up by the Philippine Standards Association with the co-operation of the Philippine Pharmaceutical Manufacturers and the Philippine Chamber of Industries. The Philippine Coconut Administration, a government agency, will not issue export permits to copra exporters unless dirt and other impurities have been removed to meet the required export standards. Exporters are required to use one-inch mesh wire as sieving equipment.

## International Fairs

Six Japanese major cities took part in a samples fair in the United States from July to October 1957. The over 400 exhibits shipped include chemical fibres, ceramics, furniture, bamboo ware, electrical items, artificial flowers and other products. Sales contracts concluded at the Japan International Trade Fair held in Tokyo from 5-19 May 1957 were valued at Y6,728 million, three times the total reported for the 1955 Tokyo fair. Exports, chiefly of sundries and machinery, doubled to Y3,250 million and imports, at Y790 million, or an increase of 60 per cent. The foreign buyers who visited the fair in 1957 numbered approximately 3,000 and came from the United States (455), Philippines (236), Hongkong (152), Malaya (112) and other countries.

The 1957 floating commercial and industrial fair of the Philippines left Manila for a visit to forty-five ports in the country within a period of sixty days. A Philippine navy boat was used and as in previous fairs, only Philippine-made products were displayed and sold.

The seventh Washington State International Trade Fair will be held at Seattle from 11-20 April 1958. The date has been changed for the 1958 fair in order that American buyers can gauge their holiday sales potential earlier and will have more time to place repeat orders. The last fair was held from 17-26 May 1957. Australia and New Zealand will participate and China will have a more extensive display. Chinese exhibitors from Taiwan were able to fill orders valued US\$400,000 as a result of contacts made in the 1957 fair. Plans are made for the inclusion in the 1958 fair of new and more complete lines of toys, accessories and sporting goods. South American merchandise and travel facilities will receive new emphasis. Lines to be expanded include jewellery, bags, blouses, sweaters, lounging apparel, neckwear, handkerchiefs, leather goods, artificial flowers and other items.